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# **China Report**

**ECONOMIC AFFAIRS**

**No. 292**



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# CHINA REPORT

## ECONOMIC AFFAIRS

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### CONTENTS

#### NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' Discusses Socioeconomic Development (Pang Ju; JINGJI GUANLI, 15 Oct 82).....	1
'JINGJI YANJIU' Discusses Capital Assets Renewal (Tai Yuanchen; JINGJI YANJIU, 20 Oct 82).....	9
'JINGJI GUANLI' on Technical Personnel Shortage (Liu Changwei, Zhao Zhongkuan; JINGJI GUANLI, 15 Oct 82)...	22
Report on Light Industrial Production (JINGJI GUANLI, 15 Oct 82).....	26
Light Industry Growing, by Yang Bo Commercial Work, by Liu Yi Space Industry, by Zhang Jun	
'JINGJI GUANLI' Urges Enthusiasm for Economic Construction (Gui Shiyong; JINGJI GUANLI, 15 Oct 82).....	31

#### MINERAL RESOURCES

High Speed Development of Coal Industry Urged (Huang Fuyao; DAZHONG RIBAO, 10 Oct 82).....	40
-----------------------------------------------------------------------------------------------	----

#### CONSTRUCTION

Improved Public Services in Lanzhou Municipality Reported (Li Zhanyi; LANZHOU BAO, 9 Sep 82).....	43
Birth of Satellite Town Near Beijing Reported (Zhu Danchi; BEIJING RIBAO, 11 Aug 82).....	44

Initial Success in Building New Town in Beijing Suburbs (Huang Huachang; BEIJING RIBAO, 18 Aug 82).....	46
Progress on Construction of Xiamen Special Economic Zone Reported (Zou Lizhang; GONREN RIBAO, 6 Oct 82).....	48
Achievements in Residential Housing Construction in Lanzhou (Bai Xiaoxia; GANSU RIBAO, 18 Aug 82).....	49
Illegal Building of Private Houses Checked in Gansu (GANSU RIBAO, 19 Aug 82).....	51
Progress of Capital Construction in Zhejiang Reported (Wang Weizhang, Zhang Shiguang; ZHEJIANG RIBAO, 6 Sep 82).....	53
Additional Pipeline Helps Improve Water Supply in Beijing (Wang Weijie; BEIJING RIBAO, 11 Aug 82).....	55
Resumption of Daqing Ethylene Plant Construction Reported (Xin Ye; HEILONGJIANG RIBAO, 11 Aug 82).....	56
Briefs	
Harbin Water Supply Increased	58
New Reservoir in Zhejiang	58

#### FOREIGN TRADE

Benefits of Improved Export Packaging Reported (JIEFANG RIBAO, 3 Nov 82).....	59
Shanghai Expands Sources of Goods, Exports (Chen Zueyong, Lu Jinong; ZHONGGUO CAIMAO BAO, 9 Nov 82).....	61

## NATIONAL POLICY AND ISSUES

### 'JINGJI GUANLI' DISCUSSES SOCIOECONOMIC DEVELOPMENT

HK301201 Beijing JINGJI GUANLI in Chinese No 10, 15 Oct 82 pp 58-61

[Article by Pang Ju [1690 5281] of Yongchuan Prefecture Planning Committee, Sichuan Province: "How Prefectures and Counties Determine Strategic Goals for Socioeconomic Development"]

[Text] The issue of the strategy of socioeconomic development involves studying the major strategic goals and policies of the socioeconomic development of a country or region during a certain period, and the major principles, policies and measures adopted to realize these goals and policies. Its purpose is to quicken economic development and promote the development of society. The CPC Central Committee has also in the past put forth certain strategic goals split into stages on the basis of the current political, economic and social conditions and their characteristics in different periods but in the 2 decades and more prior to the 3d Plenary Session of the 11th CPC Central Committee, we suffered distressing losses because of the interference of "leftist" mistakes and failures in policy. Apart from the political reasons for these losses, there were also other reasons in our economic work, including the fact that we did not pay enough attention to the study of the strategy of socioeconomic development, and that the goals for our strategy were defined without sufficiently careful consideration. Correct, realistic policies will eventually promote the development of the economy and bring happiness to the people for one generation after another. If strategic goals are not correct or when the correct goals are not put forward at the correct times, they will cause loss and waste. The emphasis of our work has been shifted following the 3d Plenary Session of the 11th CPC Central Committee, and our economic construction has entered into the period of a strategic turning point. The CPC Central Committee has put forth the great strategic goal for socioeconomic development that we must build a powerful socialist country with high material and spiritual civilization, and decided that our people must reach a "fairly comfortable" standard of living by the end of this century, and then continue to make progress and reach an even higher degree of modernization. In his report of government work to the 4th Plenary Session of the 5th NPC, Premier Zhao Ziyang summed up our experience in building the country over the past 32 years and put forth 10 principles for economic construction. Now that the major principles have been defined, under the guidance of general strategic goals of the whole country, all provinces, prefectures and counties must proceed from their specific conditions, conduct careful discussion of their own strategy for socioeconomic development, define

correct development goals and measures, implement correct policies, take correct measures, gain a correct understanding of all these questions both in theory and practice, unify their thinking and actions and promote the stable development of our economy and society. This work will be of great significance in the future. All planning organizations and cadres responsible for planning work at all levels must lose no time in solving all these questions.

#### I. How Prefectures and Counties Should Determine Their Strategic Goals for Socioeconomic Development

Do prefectures and counties have their own strategic goals for socioeconomic development? Should they have separate strategic goals for economic development and social development respectively, or strategic goals for socioeconomic development? Here, we must first clarify one issue, that is to say, how we are to transform the current system. In our government system, if we change our provinces' administrative offices into supervisory organizations, it will be neither necessary nor possible for prefectural levels to have strategic goals for socioeconomic development. In transforming the economic system, if we separate county administrative organs from economic organs, and if specialized companies throughout the country organize production, circulation and distribution according to economic zones, then county governments can only undertake certain social welfare tasks, using local tax revenues and allocation from higher authorities. Consequently, county governments will need to formulate strategic goals only for social development, not for economic development. According to the present system, it is objectively necessary for prefectural and county levels to have their own strategic goals for socioeconomic development, because prefectures and counties are also economic organizations. Prefectural and county leading organs are responsible for meeting the needs of the material and cultural life of the people of the whole prefecture or county, for social stability and morality, and for developing the economy. They are also responsible for managing their own industry, commerce and enterprise, and therefore have certain financial aspects. As prefectural and county economy is a relatively independent component of the national and provincial economies, prefectures and counties have the right to decide the speed of their development according to their specific conditions, to work out certain principles and policies, to make rational use of their productive forces according to their natural and mineral resources and to determine economic and industrial structures which accord with their own features and are able to exploit the advantages of these prefectures and counties. All of this proves that prefectures and counties must have their own strategic goals for socioeconomic development.

How should prefectures and counties determine their strategic goals for socioeconomic development? Judging by the experience of Yongchuan Prefecture, I think it imperative to study the following points.

1. With regard to guiding ideology and guiding principles, it is necessary to uphold the principle of Marxism-Leninism-Mao Zedong Thought, socialist public ownership, and the principle of planned economy as primary and market regulation as secondary. We cannot define the strategic goals for socioeconomic development if we depart from this orientation and even if we can, we will only do it blindly and will consequently fail to reach these goals.

2. In the world today where the traditional strategy for development and the "new strategy for development" are both popular, we must spare no effort to exploit the advantages and discard the disadvantages and select the best of each for use. Yongchuan Prefecture has a population of over 7 million, and more than 6.6 million mu of cultivated land. It must study average per capita gross industrial and agricultural output value, average per capita GNP, average per capita grain output and average per capita agricultural and sideline products handed over to the state and the position and roles of all these in the province; it must also study its own economic structure, industrial structure, ecological balance, use of resources, financial revenues and expenditures, economic efficiency, the speed and level of its economic development, and the educational and cultural level, health conditions and morality of all its population.

3. In working out strategic goals for socioeconomic development, prefectures and counties must obey the national and provincial strategic goals for socioeconomic development and proceed from their own specific conditions so as to avoid shortcomings and exploit advantages. Therefore, it is necessary to study the features common to socioeconomic development and the features peculiar to the prefectures and counties themselves. Only when the prefectures and counties themselves are fully familiar with their own features will they be in a position to predict their economic and social development for a certain time to come and to work out strategic goals in line with their reality.

4. Seek truth from facts and do what one is capable of. This is an important principle. When defining the strategic goals for development, efforts must be made to avoid unrealistic goals and slogans which seem encouraging but are unrealistic. We must never do work which is contradictory to objective economic and natural laws. Goals must be reliable, measures taken must be stable and policies must be appropriate.

5. All party members and people must be mobilized to work out medium- and long-term plans. Such plans constitute important measures for realizing the strategic goals for socioeconomic development. In the past, medium- and long-term plans were defined by a few cadres behind closed doors, and therefore they were unrealistic. In order to ensure that the strategic goals for socioeconomic development are defined correctly and that they inspire the masses to strive for them, it is necessary to fully mobilize the masses to carry out study and investigation and combine their efforts with leadership to define the major goals, policies and measures of the planning. Once a plan has been defined, it must not be changed arbitrarily.

6. The "method for outlining goals" is an important method for defining and realizing the plans for strategic goals. Looking at it from the point of the whole country or the provinces, the method of national revenues may be important in defining the plans for strategic goals. But prefectures and counties are not in a position to define their own plans with regard to calculating and distributing natural resources. Therefore before a draft for a strategic goal is drawn up, it is necessary to draw up "specific programs for goals." When carrying out work, prefectures and counties must base themselves on their own natural and

material resources. For example, in building the Weituo power station, the forests around the project were exploited and utilized so as to fulfill specific goals for socioeconomic development. This method differs from the past practice of only paying attention to the construction of power stations and exploitation of forests, neglecting such other work as urban construction, social welfare, culture and recreation and ecological balance. Thus, the comprehensive study of "specific programs for goals" is an important basis on which to define the strategic goals for socioeconomic development. In drawing up the plans for strategic goals, it is necessary to use the management method of "specific programs for goals" so as to ensure the implementation of the plans.

## II. Initial Probe Into the Strategic Goals for Socioeconomic Development of Yongchuan Prefecture

### 1. Present situation and features.

Yongchuan Prefecture is situated in the southeastern part of the Sichuan basin, a valley region of eastern Sichuan with many hills. It is next to Chongqing, the Beijiang River and Yibin Prefecture. It consists of 8 counties and its population by the end of 1981 was 7.2 million, of which 6.55 million were peasants. It has a total space of 12,500 square kilometers, with cultivated land amounting to 6.63 million mu. It has a mild climate, plentiful rainfall and both rainy and hot weather in the same season, and is therefore suitable for growing many agricultural crops. It also abounds in building materials, coal, and other mineral and water resources. But this prefecture is characterized by huge population and limited land (the average per capita farmland is 9.3 fen, and there are 757 persons per km). The distribution of rainfall is not balanced and therefore this prefecture is subject to frequent and serious drought and floods. Of the 8 county towns, 5 lack water resources while 2 1/2 counties have a serious shortage of coal. The prefecture has experienced tremendous economic development over the past 3 decades and more. Gross industrial and agricultural output value in 1981 was 2.593 billion yuan (excluding the factories and mines of the central government), with an average per capita income of 360 yuan. The state and collective farms produced 5.64 billion jin of grain, with a per capita average of 861 jin among the agricultural workers. The prefecture is not only self-sufficient in major agricultural and sideline products such as oil bearing crops, pigs, oranges, mulberry trees, sugar cane and tea but also sells some of these products to other places. There are 3,429 industrial enterprises with independent accounting and their total fixed assets are worth 450 million yuan, with a net value of more than 300 million yuan. Heavy and light industries have a certain foundation. Since the establishment of the third plenary session line the state has set up a certain amount of defense industry enterprises in the area with relatively advanced equipment. Medical health and cultural and sports facilities have been gradually increased every year. But despite all this, we did not pay enough attention to the study of our local conditions. For quite a long period in the past, we did not have long-term strategic goals for socioeconomic development and we seldom used medium- and long-term plans to guide our economic work; there have been many mistakes in our economic policies to cause a number of difficulties in developing our economy and society. These problems include: 1) serious damage to timber resources; forest area has decreased from 15 percent in early

liberation days to the present 4.7 percent, and ecology has been put seriously out of balance. 2) serious disproportion between agriculture, light industry and heavy industry and irrational economic structure. Over the past 32 years, agriculture grew on average by 4.4 percent, light industry by 7.4 percent and heavy industry by 10.25 percent. 3) although agricultural production conditions have been greatly improved, the prefecture's capacity to fight against natural disasters and particularly drought and floods is still weak. 4) industrial distribution is irrational, industrial management level low, equipment old, technology backward, labor productivity low and a number of products not competitive. 5) economic efficiency is poor. Financial revenues and expenditures are not balanced and for many years in the past the prefecture had to rely on money allocated by the province. The prefecture and counties have little financial reserves for emergency use. 6) much has to be done to improve people's life.

## 2. The main strategic goals for socioeconomic development in the next 10 years.

According to the situation of our prefecture, this question can be summarized as follows: gradually improve the level of material and spiritual civilization. Following economic readjustment, the ratios between and within industry and agriculture have gradually become rational, industrial organization and management standards have been greatly improved, natural and material resources have been better utilized and improvement has been made in balancing ecology and in environmental protection. Further progress has been made in education, medical health and ideological consciousness, social order has become more stable and morality has taken on a new outlook.

According to these general requirements, agricultural and industrial production must grow at a rate of about 4 to 5 percent during the next years.

Main goals envisaged for 1990 include:

Gross industrial and agricultural output value: 3.88 billion yuan (industrial output value to increase by 5 percent annually and agricultural output value by 4 percent), with an average per capita income of 483 yuan.

Collective grain output: 6.7 billion jin, with an annual growth of 2 percent. Average per capita amount of grain for agricultural population is 937 jin.

The income of commune members in rural areas: on the basis of the 210 yuan income in 1981, income will reach 400 yuan in 1990. Of this figure, the income from collective distribution will be increased from 95 yuan in 1981 to 160 yuan in 1990.

Population: 7.98 million, with an annual growth of 10 percent.

Employment rate: 95 percent.

Literacy rate: will be increased from the present 85.1 percent to 90 percent.

Infant mortality rate: will drop from 0.98 percent in 1981 to 0.5 percent.

### 3. How to realize the goal of socioeconomic development in our prefecture.

Taken as a whole, judging by the advantages and disadvantages of Yongchuan Prefecture and experiences and lessons over the past 3 decades, the prefecture must take the road of saving energy and cutting down on consumption and increasing the proportion of knowledge-intensive industry so as to make steady progress toward better economic efficiency and bring greater benefit to the people. In concrete terms, this road includes developing agriculture in a big way so as to ensure a stable growth of grain production, taking active measures to develop major industrial crops and diversified economic management such as pigs, oil bearing crops, silkworms, oranges, sugar cane, tea, fish and bamboo, improving the commodity rate of agricultural and sideline products and working hard to increase the income of commune members. Develop in a big way the light, textile, and foodstuff industries which use mainly agricultural and sideline products as raw materials, pay attention to comprehensive utilization and properly develop the daily consumer goods industry which uses steel and chemical products as raw materials. Make full use of such resources as limestone, quartz, sands and waste rock and develop the building material industry in a big way. Efforts must be made to turn the three industries--the light and textile industry (cotton, silk, yarns, paper and small commodities), food industry (sugar, wines, canned foods and refreshments) and building materials industry (cement, glass, various bricks and light-weight building materials) into three major props for industrial production and the national economy and the main sources of financial revenue. Active measures must also be taken to exploit and utilize energy resources and build small hydroelectric power stations and surplus-heat power stations with the prerequisite that coal output is increased. People's material and cultural life must be further improved on the basis of developing production. In specific terms, the following measures must be taken.

1. Uphold the principle of planned economy as primary and market regulation as auxiliary; develop collective ownership in a big way and properly develop individual economy, with ownership by the whole people as the key; exploit various commercial business forms and various channels of circulation so as to cut down the links of circulation, and maintain state commerce as the leading sector. Work hard to create good order to ensure steady economic growth.

2. Develop agriculture in a big way to ensure a steady growth of grain production, and take active measures to develop industrial crops and diversified economic management. It is imperative to develop agriculture, forestry, animal husbandry, sideline production and fisheries simultaneously and work hard to increase forestry, animal husbandry, sideline production and fisheries in particular. While measures are taken to stabilize and perfect the production responsibility system, it is also necessary to promote various forms of merging and transformation, improve and develop industries run by people's communes and production brigades and develop overall management in agriculture, industry and commerce and gradually expand the collective economy and increase the income of commune members. In grain production, it is necessary to develop mid-season

rice as the main. Both grain and industrial crop production must be carried out intensively and scientifically by using fine seed strains; efforts must also be made to increase per unit output.

3. Strive to change the industrial structure so as to increase the proportion of output value of light and textile industries, the foodstuff industry and building-materials industry in the total industrial output value from 50 percent to about 70 percent. Attention must also be paid to bringing into play the roles of secondary light industry, commercial management industry and industry run by people's communes and production brigades, actively carry out comprehensive utilization, work hard to produce various products by using a kind of raw materials, develop financial sources and decrease pollution.

4. Do a good job of balancing finance, credit and goods and materials. Hard work must be done to increase output and income and save expenditures. A certain proportion of financial resources must be devoted to developing public facilities such as diversified management, industrial production, education, health, culture and sports and cities and towns. The credit fund that is used in investment planning must be used well and refunded in time.

5. The policy of the basic quotas for the purchase of agricultural and sideline products must be stabilized while the task of fulfilling basic quotas and the planning for the transfer of the products must be carried out. The industrial raw materials that are left after meeting basic quotas can be used in agricultural, industrial and commercial joint ventures with the profits distributed.

6. Strengthen the transformation of coal mines, solve well continuation projects, coal shafts must be transformed selectively with relative centralization and the situation of dispersed distribution of level tunnels must be properly changed.

7. Make full use of the technical strength of the defense industry in the prefecture and together with this industry make use of steel and iron materials to produce durable consumer goods for the people.

8. Relationally distribute forces of production. The method of centralization and unification must be employed while the [word indistinct] of fixed assets and the distribution of these that are shifted to other production (other trades) must be comprehensively balanced and managed harmoniously by planning departments. The industries of the people's communes and production brigades must also be included in planning with unified distribution so as to avoid repeated construction, and building factories in a blind way. Feasible study plans should be drawn up and systematic project foundations created for major projects.

9. Strengthen basic education at primary school, improve the quality of secondary school education and readjust secondary school educational structure. Turn a number of ordinary secondary schools into vocational schools with many specialized subjects and gradually change the monotony of secondary school education. Teachers and staff must be educated and trained so as to raise their cultural and technical level.

10. Gradually develop small towns. At present, there are five counties where county governments are located which do not have enough water resources and this situation has affected the distribution of big industries. Therefore, with regard to the conditions for transportation, water and electricity and the development of mining areas, the existing 23 towns of prefecture and county level and some industrial and mining regions will be selected and transformed into towns. In future, enterprises must be built near cities and towns. Attention must also be paid to the construction of public facilities so that these small towns will be gradually turned into centers of economic and social development.

11. Gradually improve scientific and technical levels and step up the study, popularization and utilization of new technology. Gradually expand the ranks of scientists and technicians and set up organizations for the study of foods, silk textiles and building materials.

12. Control the natural growth of population and make proper arrangements for those waiting for jobs.

13. Step up the work of overall balance, study and investigation, economic prediction and economic information, improve the correctness and usefulness of statistics and strengthen foundation work.

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## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' DISCUSSES CAPITAL ASSETS RENEWAL

HK240404 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 82 pp 64-70

[Article by Tai Yuanchen [2071 0955 2525]: "Problems on the Renewal of Capital Assets"]

[Text] Our Country Has Entered Into a State of Renewal of Capital Assets; Large Amounts of Capital Assets Await Renewal

A big and important lesson requiring study in economic theory and practice is the renewal cycle of capital assets. In the past, people believed that a special phenomenon of capitalist economy was the economic growth cycle formed by the cycle of renewal of capital assets. This phenomenon occurs not only because the replacement and renewal of capital assets, which are cyclical in nature and may lead to overproduction and to periodic economic crises, neither of which capitalist economy can avoid, but also because a periodic economic crisis is usually the start of a large-scale renewal of equipment which in turn brings about an economic recovery. Under a socialist economy, there is no possibility of a marketing crisis caused by overproduction and it is always possible to make planned arrangements for the renewal of capital assets. This is how a socialist economy basically differs from a capitalist economy. But because of the time lag between the compensation for value (transfer) and the actual material replacement of the capital assets, frequently in certain years only few capital assets need to be renewed whereas in other years a large amount of capital assets need to be renewed. In this way, the occasional need for material replacement of capital assets cannot be avoided. If this special feature is not taken into account and the planned arrangements are not well carried out, then due to the periodic nature of the renewal of capital assets, violent fluctuations in the development of the economy may occur.

Our country has now entered into the stage of renewal of capital assets and a large amount of capital assets needs to be renewed. This is seen in the following: Of the old enterprises left over from old China, in some cases the buildings are in dangerous condition, and may even collapse, whereas in other cases, the equipment is antiquated but over-aged machines, equipment, boilers, motor vehicles and locomotives are still in use. Of the backbone enterprises built during the periods of the First 5-Year Plan and the Second 5-Year Plan, the capital assets

have been in use for over 20 years, the precision rate of the equipment has been sharply reduced, maintenance costs have increased, and the number of rejects and substandard products has greatly increased. Many of the enterprises built in the middle and late 1960's were built in a hasty fashion and then put into operation. The cost of production of their products is high and generally they have a very low efficiency rating. They badly need to be renewed and restructured. Twenty years ago when the problem of reproduction of capital assets was discussed, the great majority of the backbone enterprises of the economy had just been built. At the time the main problem was how to deal with the problems left over from the 3 years of the "great leap forward," when both equipment and materials were squandered and subjected to great strain. Today, the renewal period is at hand and the big problem before us is how to attend to the periodic renewal and replacement of the capital assets and how to handle the technical rebuilding of the national economy. The change of conditions and in the points of contradiction that have occurred over the past 20 years should not be regarded lightly.

Of all the industrial and communications enterprises in our country, roughly 42 percent have been in service for over 15 years, about 33 percent for over 20 years, 14 percent for over 25 years, and those which were in existence before liberation, 7 percent. Units located in the old industrial base areas, units belonging to the old trades, and old enterprises which have made a relatively good showing in production control, technical strength and mutual coordination and which have low production costs and have reaped fairly good economic results are all facing the dire problem of antiquated equipment, out-of-date production techniques and a steadily declining competitive capacity and economic effect. What is sorely needed is the renewal and restructuring of their capital assets. Shanghai is the oldest industrial base of our country. It has a most notorious problem of its equipment being extremely antiquated. For example, 72 percent of the equipment in its paper mills were built before the 1950's; 31 percent of its stamping machines were manufactured in the 1930's; the great majority of its cigarette-making machines were made in Britain in the 1920's and 1930's; and the great majority of the equipment of its match-making plants were made in Sweden in the 1930's. Of the current equipment of the Shanghai Bureau of Handicraft Industry, over 50 percent are from the period of the 1930's or 1940's while only 9 percent were made after the 1960's. The food-processing industry is one of Shanghai's old industrial trades. The bottling equipment of its beer and aerated water factories is circa 1920. Some of the biscuit-making machines made in the 1930's are still in use after 50 to 60 years' service. For a prolonged period, the 354 sets of vertical cutting lathes at Shanghai's wristwatch plants have been in use three shifts a day. At this rate, their life expectancy in term of years has already been exceeded by 200 percent. As a result, they are in a more or less damaged state, their precision rate has declined, and the number of rejects of their products has greatly increased. The 13 backbone machine tools plants in Shanghai own some 8,780 sets of machine tools, of which 34.5 percent are unstable in quality and have lost their precision. In other old industrial base areas such as Anshan, Tianjin and Qingdao, more or less the same conditions are found as those in Shanghai. In fact, the number of dangerous buildings of old plants in the old industrial base areas has been steadily increasing. In Shanghai the size of such dangerous buildings is estimated

at over 1.4 million square meters and each year only slightly over 100,000 square meters are rebuilt. In the industrial and communications systems of Qingdao, dangerous buildings make up some 28 percent of the total area of the buildings. Such a state of affairs has extremely dangerous effects on the labor safety of the workers and the normal progress of production.

Old and antiquated equipment in industrial and communications enterprises are responsible for a low work efficiency rate and a high consumption of energy. For example, the medium- and low-pressure power generating sets and small-generating sets currently in use in our electric power industry consume, on the average, 40-100 percent more coal than the high efficiency power generating units. The country's industry at present has 200,000 sets of boilers, with an aggregate capacity of 300,000 tons of steam. Coal consumption is 200 million tons a year. Average heating efficiency is not too high already, that is to say, 55 to 60 percent, but there are still in use some 60,000 sets of boilers with a generating capacity of 30,000 tons of steam, which has a heating efficiency rate of less than 40 percent. A large number of old electric motors, old electric fans, water pumps, air compressors, and so forth all need to be replaced or renewed. The price paid for their extra consumption of electric power and heat energy every year should be sufficient to pay for the purchase of new equipment as replacements. In this way the large quantity of old and antiquated equipment still in use has brought in its wake a deteriorating technological state, poor product quality, a low efficiency rate and a continuous rise in production costs.

Innumerable facts have shown that the use of old and antiquated equipment wastes energy and aggravates the tense situation in the supply of electric power, coal and oil. It increases the consumption of raw materials and makes even more outstanding the problem of their insufficient supply. It speeds up the aging of the production techniques, renders the products old-fashioned and incapable of being improved, and, in short, raises the cost of production, reduces the power of competition, and generally lowers production efficiency. What is more serious is that some enterprises are brought to the verge of suspending production and of being incapable even of maintaining simple reproduction. Hence, if capital assets already due for renewal are not renewed on time, then a number of problems will ensue, the rate of increase in production will be lowered and the economic benefits will be generally reduced.

#### Shortage of Renewal Funds and Urgent Need for Revision of the Depreciation Rate and Reappraisal of Asset Valuation

Despite the capital assets of our country having already entered into the period for renewal, the topic of the renewal of capital assets has not yet attracted much attention, actual renewal work has progressed slowly and the funds for renewal are seriously insufficient. At the end of 1980, the gross value of the capital assets of our state-operated industrial and communications enterprises was about 450 billion yuan, of which about 50 percent of the equipment and a portion of the buildings were in bad need of renewal. Unfortunately, the amount of funds

available for renewal and rebuilding is limited. On the basis of the amount of yearly depreciation funds set aside at present, it will take about 10 years to complete the renewal of the capital assets which need to be renewed right now. However, by that time, the capital assets that went into operation in the 1970's will be due for renewal and a new renewal period will have arrived.

The sources of funds for the renewal of capital assets should naturally be derived from the depreciation funds. At present, the depreciation rate tends to be on the low side and therefore insufficient funds have been set aside for depreciation. This indeed is a problem that needs urgent attention. The reason why the depreciation rate has been set on the low side is, theoretically speaking, due to the rejection of the theory of the existence of invisible losses. Actually, Marx once said: "In the case of machines, aside from visible depreciation, there is also the so-called invisible depreciation. Thus if a machine of the same structure can be reproduced at a cheaper price, or in the event that some better machines are in competition with the existing machines, the exchange value of the existing machines will suffer a loss." (Marx: "Das Kapital," Vol 1, People's Publishing House, 1975 edition, p 443) But people thought that Marx was at the time referring to the capitalist economy. They seemed to think that under a socialist economy there was no real significance of taking into account or computing so-called invisible loss. They reasoned that since under a socialist economy the means of production in circulation within state-operated economic departments could not be considered as commodities, the means of production possessed were in reality only the outer crust of commodities and value, and the state planned and arranged for all the capital investments and their renewal. Whatever the vicissitudes, the state would take the final reckoning and the interests of the enterprises were neither concerned nor affected, nor was there competition between the enterprises. Hence, there was no point in talking about the invisible losses. However, in theory at present, it has been acknowledged that the means of production in circulation between the state-operated departments are in fact commodities, that they must be handled strictly in accordance with accounting procedure and that they should not be allowed "to melt away like meat in a pot of boiling broth." The present trend of development of the world economy and the speed of technological progress simply do not allow us to live like hermits and be content with our backward technology. Turning to the value changes in the capital assets on account of loss and depreciation we should not confine ourselves to their physical depreciation or depletion. We should take note of the invisible losses, and do our utmost to reduce the economic losses and the impediments to technological progress and to a rise in competitive capacity due to our neglect to taking invisible losses into account.

Because of the above, we must differ from those who contend that since the actual period for the replacement and renewal of capital assets in our country has been in excess of 20-30 years, the present practice of fixing the durability period of equipment at some 20 years is not too long and therefore the depreciation rate is not too low. It is true that in actual practice, even though the depreciation rate has been raised, equipment renewal does not take place ahead of schedule but still has to wait until the expiration of the durability period

when there has been a full depreciation of the equipment. However, this practice has been followed because of the long list of overdue renewals and should not be taken as a normal phenomenon. It may be admitted that on an overall basis the current depreciation rate for capital assets is only around 4-5 percent and the durability period is set at over 20 years. The rate is thus too low. Raising the depreciation rate is not only a necessary accounting procedure but will also help to wipe out past overdue accounts in equipment renewal.

Naturally we should start from reality when readjusting the depreciation rate. The suggestion to adopt a high depreciation rate and thus achieve the objective of replacing the equipment in 5 or 7 years is also impractical. Our technological level has not yet advanced to such a level, and besides, our national conditions currently demand that we must make the utmost use of our already existing productive force. Readjustment of the depreciation rate should not be divorced from our country's reality. It must take into account feasibility regarding the country's financial resources. It should likewise take into account the task of compensating depreciated productive power and the state's task of making the necessary accumulations. Therefore, it should be raised gradually. Making too high a readjustment and effecting changes that are too violent will not only adversely affect tapping the potentials of our own productive forces but will also seriously affect state revenues.

The various kinds of capital assets such as buildings, general equipment and specialized equipment differ vastly from each other in the length of their natural durability. The extent of the invisible loss or depletion which they incur on account of progress in science and technology also differs. Hence, it is extremely irrational not to make any differentiation but to fix an overall depreciation rate applicable to an entire trade or even to a single plant. In revising the depreciation rate, it is necessary to make a scientific classification of the various categories of capital assets and formulate for them different durability standards and different depreciation rates. We should not in confusion mix plant buildings, machinery and equipment together under one overall depreciation rate and note no differences between them. In making a classification of depreciation rates, the rate for machinery and equipment should be fixed higher than that for plant buildings, specialized equipment should be higher than that for general equipment and equipment that can be easily corroded by acids, alkalis and steam should even be higher. This will ensure specialized treatment, bring out the different and special features in the steps of modernizing and technically rebuilding the capital assets, and make the depreciation rates conform to reality.

It must also be pointed out that currently many enterprises do not have a true valuation of their capital assets. Their valuation is often times at great variance with the replacement value. This has arisen out of the following causes: Some of the old enterprises left over from old China used the remnant value as the original value and thus marked down the original value of the capital assets. Over many years, management of the enterprises has been in a confused state; some enterprises in confusion entered the expenses incurred in procuring additional fixed assets into the cost of production, and in this way a portion of the machines and equipment was not entered into the books as capital assets. Some

enterprises kept incomplete, or no, records of the inward and outward movements of their capital assets. In some cases, the assets were there but there were no accounting records for them while in other cases there were records but no assets. In this way, the account books do not conform to reality. Moreover, in recent years, due to rising construction costs, the replacement cost of capital assets is much higher now than in the 1950's and the 1960's. Hence, like census taking, we should carry out a nationwide revaluation of the capital assets. We must check the accounting records with the actual situation. Capital assets not shown in the account books should be entered into the books. The original value of the capital assets should be readjusted on the basis of the replacement price. We should make an estimate of the actual production capacity and find out exactly how many more years the capital assets can remain in use. This will enable us to have a correct assessment of the situation and provide a reliable basis for accounting and policymaking. In addition, it will make the setting aside of depreciation funds more reasonable.

**Use of Depreciation Funds As Accumulation Funds Should Be Conditional; Under Current Conditions Their Continued Use As Such Should Not Be Permitted**

Currently, there is a situation of a large quantity of capital assets having to be renewed but the renewal funds being seriously insufficient. This situation has much to do with the use and management of depreciation funds. This is because although the depreciation rate has been on the low side, the passage of over 20 years should make it still possible to effect the material replacement of the assets. But now, after the assets have been in use for over 20 to 30 years, the depreciation on paper of the machines has already been completed and has even, in some cases been exceeded and the money for renewal and replacement is lacking. From this, it can be seen that the problem lies in a large proportion of the depreciation funds set aside through the years having been used as capital construction investment in new projects and on enlargement of existing projects. In other words, funds for compensation or replacement purposes have been used as ordinary accumulation funds. If such a situation persists, then even raising the depreciation rate cannot solve the problem and it will be difficult to realize the urgently needed renewal and replacement of a large quantity of capital assets.

At this point, a problem which needs to be studied is that of depreciation funds not having been used for the renewal of capital assets—could this be due to the centralized management of the depreciation funds? Concerning this problem, many comrades in theoretical circles have contended that many of the evils and malpractices in the use of the depreciation funds are due to the centralized control of these funds and that the problem can be automatically solved if they are dispersed among the enterprises themselves, for them to make their own arrangements. In reality, this is not exactly correct. Over the past 30 years since the founding of the PRC, management of depreciation funds has gone through three separate stages. Before the year 1967, centralized management was in practice and the entire depreciation fund had to be remitted to the state for the purpose of unified arrangements. After 1967, a diversified management system was in practice. The depreciation funds remained in the hands of the enterprises and were subject to their own individual arrangements. From 1978, the system of proportional management, whereby 50 percent was retained by the enterprises,

30 percent was remitted to the state and 20 percent remitted to the localities was in practice. As for the coal, petroleum, forestry and animal husbandry industries and trades, country-run enterprises and those enterprises each with capital assets of less than 1 million yuan in original value, the enterprises were permitted to retain the entire depreciation fund. In this way, through these three periods, three measures were in practice at one time or another.

The phenomenon of the use of depreciation funds in capital construction investments such as new building projects or the enlargement of existing projects is attributable to the centralized management by the state of the depreciation fund. But this is a matter of economic development strategy and is related to the viewpoint of the relative importance of renewal and replacement. In the 3 years of the "great leap forward," due to the tremendous work load on the machines and equipment and the enormous consumption and waste of materials, even simple reproduction was adversely affected. By the 1960's, attention was turned to the renewal of equipment. For certain selected commodities, such as locomotives, motor vehicles, boilers and diesel engines, special funds were earmarked for their renewal, overhauling and "mending of past negligences." In the case of mines, oilfields and forestry, levies were made on the basis of their output quantity and cost of production to provide funds for the purpose of maintaining simple reproduction. All this helped to improve the situation.

If the depreciation funds are retained by the enterprises themselves and subject to their own separate management, does it turn out that the renewals are all promptly made on schedule? The answer is that this is not necessarily the case. In fact, when the funds are managed by the enterprises themselves, by far the largest portion is bundled together with the general capital construction investment funds, funds for renovation, for reform and tapping of the potentials, and bank loans to be used on the plants' expanded reproduction by extension, while the renewal of equipment is simply left aside. Over a period of nearly 15 years since 1967, the amount of depreciation funds retained by the enterprises plus their own production development funds have amounted to roughly 200 billion yuan. This is indeed not a small figure. But only a limited amount has been spent on renewal of equipment and capital assets have hardly received the benefit of a timely renewal. Of course, there have been exceptions and some enterprises, after taking over the control of their depreciation funds, have strictly followed the scheduled renewal of their equipment, although from the macroeconomic viewpoint there is not sufficient evidence to prove that the diversified management of depreciation funds is superior to centralized management. Both do occasionally show concern for the renewal of equipment but both do show signs of treating the matter lightly. This is because the system of centralized control or diversified control is closely connected with the economic control system as a whole and is not directly related to whether or not the capital assets are renewed on schedule.

This brings us to another question, namely: Should depreciation funds be used in accumulation funds? Within theoretical circles, many comrades contend that they should definitely not be so used and believe that it is a malpractice to use depreciation funds on new building or extensions of projects. While this view is tenable under present day conditions, it is neither entirely correct in theory nor if we make an analysis of the different stages over the past 30 years.

As we all know, capital assets are different from circulating funds. The value compensation of circulating funds and the material compensation of consumed raw materials are united together. This is not so in the case of capital assets. While the value transfer of capital assets is continuously realized through the sale of the commodities, what constitutes their value compensation takes the form of depreciation funds in deposit. The material replacement of the capital assets will not take place for a considerable period of time. During the period when such replacement is still not needed, what use should be made of the depreciation funds which serve as the compensation value for the capital assets? Marx pointed out: "Depreciation funds, that is, funds for compensating the depletion of capital assets, are at the same time accumulation funds" (Marx: "On Theory of Surplus Value," "Marx and Engels Collected Works," Vol 26, pp 58-59).

According to this, depreciation funds, aside from being used as compensation funds for capital assets, can also be used as accumulation funds. In my opinion, the trouble we have had with investments in capital assets does not lie in the use of "depreciation funds" as accumulation funds, nor, and indeed far less, should we come to the conclusion that depreciation funds should in no case be used as accumulation funds. I believe that the crux of the problem is that we must make clear under what conditions depreciation funds can be used as accumulation funds. When the prime concern of the national economy is with building new enterprises, or when the peak of the cycle for renewal of capital assets has passed and a handsome surplus is found in the depreciation funds following assurances that all currently needed renewals will be well taken care of, then the surplus portion can be utilized as accumulation funds. In such a case, use of the funds is in the nature of a loan. On the other hand, when a large amount of capital assets must be renewed, then the depreciation funds should not be used as accumulation funds and since, in the past, some of the depreciation funds were borrowed for use as accumulation funds, any gap now in depreciation funds for making the necessary material replacement should be filled by repayment from the accumulation funds. In fact, our present situation is exactly this. If the depreciation funds should continue to be used on new building and expanded construction, or on current production measures outside equipment renewal, or are "bundled" together with the plants' outlay for expanded reproduction by intension or by extension, then the outcome will be that the outstanding debt owed to renewal replacement will increasingly grow.

The above leads us to the third problem. This is a problem formerly neglected by people. It concerns the bank's regulation on the use of depreciation funds. As mentioned above, when there is a surplus of depreciation funds, the surplus may be loaned for use as accumulation funds. However, loans must be repaid. Over the past years, we have accumulated a debt of enormous proportions owed to the renewal and replacement account. The problem was that in making the capital asset investments such as new building and expanded building in the heavy industry sector and renewal and technical rebuilding in the light industry sector, funds were borrowed from the depreciation account but the loans were never repaid. As we see it now, in order to better solve this problem, aside from correctly formulating the strategy for economic development, regulation by banks in the control and management of the depreciation funds is indispensable.

The cycle for the value transfer of capital assets and that for their material replacement do not correspond with each other. It thus invariably happens that in certain years there is a bigger demand for renewals whereas in certain other years the demand is smaller. Moreover, old enterprises have a big demand for renewal of their equipment but have insufficient depreciation funds whereas new enterprises temporarily do not need renewal of their equipment and have a surplus of depreciation funds. Likewise, in the old industrial base areas, the renewal funds are insufficient while in the new industrial base areas, there is a surplus of funds. Hence, in the administration of the depreciation funds, there appears the problem of how to regulate their utilization. In the past, stress was laid only on the centralization and unification of these funds under the state and regulation by the banks was never resorted to. This was indeed a mistake. If regulation by the banks is used as a support measure and the depreciation funds are made to serve as the source of loans, then in the event of the depreciation funds being insufficient, loans should be released only for the purposes of rebuilding of plant premises and renewal of their equipment but when there is a surplus of depreciation funds, they may be loaned out for purposes of capital construction or tapping the potentials and renovation. Loans when due must be repaid so that there are sufficient funds on hand to handle the peak of the renewal cycle when and as it arrives.

As for the diversified management of depreciation funds, since the individual enterprises are intimately concerned, the special feature of the time lag between the period of the value transfer of the capital assets and that of their physical or material replacement is all the more obvious. It is a frequent phenomenon that the depreciation funds of some enterprises show a surplus while those of other units are insufficient. This can be solved by resorting to regulation by banks as a supporting measure. At the same time, in allowing the enterprises to manage the depreciation funds, we must institute a definite economic responsibility system covering the management of the funds. The enterprises should be duty-bound to keep the capital assets in good condition and to use them well. If due to faults in management of the depreciation funds or to their improper use, the required funds are not available when renewal of the equipment falls due, they should be held economically responsible. What happened in the past was that we only talked about letting the enterprises control the depreciation funds but failed to touch upon the matter of economic responsibility. We failed to stipulate that special funds should be for special uses and should be deposited in special accounts. As a result, the funds were used at random and there was no guarantee for renewal or replacement. Only in altering this situation can the enterprises be truly made to give due regard and importance to the use of the funds and can the banks properly exercise their regulatory function.

#### **Strengthening Macrocontrol and Carrying Out Renewal of Equipment in a Planned Manner**

The present situation is: A large quantity of equipment needs to be renewed and many buildings must be rebuilt, but the funds for renewal and rebuilding appear to be seriously insufficient. Nevertheless, in reality, a large volume of funds for renewal purposes lies idle and cannot be expended. Facing such a strange contradiction, it may be thought that this proves that funds for renewal are plentiful and that the need for renewal is not so urgent. Such thinking should be blended as that of fantasy! [as printed]

For a prolonged period, capital construction as a measure to increase capital assets and renewal of capital assets has been subjected to two separate methods of control and not subjected to overall arrangements. Renewal of capital assets is one phase of the work of tapping potentials, renovation and rebuilding. The method of control of funds and materials for tapping potentials, renovation and rebuilding evolved from the four methods of control of the four categories of expenditures in force in the 1950's. These four categories of expenditures were: expenses for technical organization measures, expenses for trial production of new products, expenses for labor protection safety measures, and expenses for sundry purchases of capital assets. At the time, it was only the beginning of a period of large-scale economic construction and the amount of these four categories of expenses was very small. During the period of the First 5-Year Plan, they amounted to only 4 percent of capital construction investments. The topic of renewal of equipment had not yet been put on the daily agenda. Hence, there was reason for the differentiated treatment. But now all the funds for renewal and rebuilding and those for production development owned by the enterprises themselves are nearly equal to the amount of capital construction investments. At the same time, renewal of the capital assets is assuming a daily increasing importance. Hence, in the case of the addition and renewal of equipment, which are in the same nature as that of purchasing capital assets, to subject them to separate and different methods of control and treatment without making any overall arrangements or an overall balance naturally causes a series of problems.

One of the problems arising from a situation of there being an urgent need for renewal but the funds for renewal and rebuilding remaining idle and to being expended is: Since there are no overall arrangements for the new addition and renewal of capital assets, they have been subjected to different measures of control and cannot but take a lower standing than capital construction. Once capital construction projects have been sanctioned, all such follow-up jobs such as survey and planning, requisition of land and demolition of existing structures, if any, on the land site, supply of materials and equipment, provision of labor force, and so on, can generally follow and be solved in a definite and smooth manner. This is not the case in the renewal of capital assets. Thus, there are usually gaps in the supply of materials and equipment, the required labor force is usually not procurable, and there are many obstacles to land requisition or the dismantling of existing structures, if necessary, on the land site acquired. In many cases, the enterprises concerned have to seek help from everywhere. Frequently, one obstacle alone blocks the whole process. If this situation in the renewal of capital assets being half-heartedly planned or not planned at all is not changed, then even though funds are available, the renewal work done cannot be good and it will be difficult to meet the demand for the renewal of a large amount of capital assets when the time for renewal cycle nears.

Then there is also a second problem. This is that the scale of the capital assets investments cannot be controlled and that the control over the direction of the use of the funds is frequently of a questionable nature. According to the state plan for 1980, the scale of capital construction was originally arranged at 42.3 billion yuan but the actual amount spent was 78.8 billion yuan. The 1981 state plan arranged the scale of capital construction at 30 billion yuan, but the actual amount of investments made was 62 billion yuan. In reality, capital

construction investments and capital assets investments share the same concept, but now the control over the source of funds and the planning procedure appear to be all half measures and the quarters concerned are allowed to fight it out among themselves. How can this be considered planning? If the general scale of capital construction investments cannot be kept under control, how can the readjustment of the national economy proceed smoothly? At the same time, if the overall scale is out of macrocontrol, naturally it is all the more difficult to prevent the random use of funds for renewal and rebuilding and of other funds, under various pretexts such as tapping the potentials, renovation or reform, to blindly undertake construction and duplicate construction. People may understand that blind construction and duplicate construction yield poor economic results, are wasteful and should be refrained from but because of the control of capital assets investments being divided and the inducement of power and gain, people can hardly desist from them. It is like a case of people turning a deaf ear to all earnest pleadings. In this way, the direction of the use of funds is out of macrocontrol.

It may also be pointed out that the geographical distribution of industries in our country is irrational in many respects. Take the case of Shanghai, for example. Here, plant buildings and civilian dwellings are indiscriminately lumped together, whereas plants which are mutually related are widely separated from each other. Enterprises which can heavily pollute the environment or are noisy in operation are located in the midst of concentrated civilian dwelling districts. Factories turning out commodities which are in urgent market demand literally have their hands tied because of the small areas available to them. All this needs to be changed during the renewal and rebuilding. Yet when we look at Shanghai's overall situation, we may find that within the municipality area industrial development has reached the bursting point. An extremely tense situation is found in such areas as housing, location of stores, communications, and the supply of water and electric power. In fact, the masses of workers and employees are facing big problems in daily life including eating, clothing, housing and shopping. What should be done now is not to aggravate the situation but to ease it gradually. The development of such a situation in Shanghai has been due to the lack of comprehensive planning and an overall balance in such undertakings as tapping the potentials, renovation and rebuilding through the years. In undertaking rebuilding work from now on, the whole municipality should be put under overall planning and the work must proceed in a planned and gradual manner. At the same time, Shanghai is an important industrial base of the country. The direction of its industrial development, how to raise its technological level, and how to improve its products and turn out new products to replace the old ones should all be included in the national industrial program. In this way, any large-scale renewal of capital assets cannot take individual enterprises as units but should be subjected to overall planning, overall arrangements and an overall balance. But the present system of putting the capital asset investments under the two big management sectors, divided into one taking charge of new additions and the other, renewals, proceeds precisely in the opposite direction of the above thesis. The method of undertaking renewals and new building akin to the fairy tale of the eight immortals crossing the sea with each separately demonstrating his or her wizardry may render the rebuilding work all the more irrational. This is the third problem resulting from the two separate methods of control.

It must also be pointed out that at present our country has entered into the cycle of large quantities of capital assets requiring replacement and renewal while at the same time the country is faced with the enormous task of readjusting the national economy. Combining renewal and readjustment can achieve full results by doing half the work. Attending to renewal without regard to readjustment necessarily involves immense efforts but little results. But how can we link the two closely together? In undertaking renewal and rebuilding, regardless of whether the objective is to rationalize the economic structure, the production structure or the product structure or to achieve the development of technical rebuilding with energy savings as the center, there must be overall arrangements and an overall balance. If each unit or sector is left to do its own renewal and rebuilding without any overall arrangements then there is the likelihood that before the completion of the old readjustment tasks, new readjustment tasks will appear. This is the fourth problem arising from the two separate methods of control.

Precisely for the above reasons concerning the capital construction investments involving the addition of new capital assets and capital asset investments on renewal and rebuilding, the adoption of two separate methods of control should not be continued. Capital construction and renewal and rebuilding both belong to the category of capital asset investments. They differ from each other only in respect to the source of funds and the planned procedure. Hence, they should be subjected to overall arrangements and an overall balance. Only in doing so can macrocontrol be strengthened and the proper control and use of the entire capital asset investments be achieved.

Making so-called overall arrangements is not equivalent to treating all capital asset investments as capital construction investments and subjecting them to capital construction procedures. Rather, they must still be treated differently in accordance with the size of the projects and whether or not earth-moving work is involved. What is more, it is not equivalent to the abolition of control by grades or departments but the enthusiasm of the parties concerned must be aroused. What must be principally pointed out here is that concerning investments on newly added capital assets and on renewal of capital assets, one department alone should take charge, make overall planning and have control of the entire yearly program for capital asset investments. As for funds, materials and the labor force, an overall balance must be achieved and a clear and smooth passage through all the channels must be ensured. In this way, we can more effectively organize and realize, in a planned manner and step by step, the renewal of capital assets and at the same time improve the results in the utilization of funds for renewal and rebuilding.

The practical experiences in economic development of many countries have shown that the periodic renewal of capital assets precisely offers a good opportunity for technical rebuilding and that, provided correct guidelines and policies are adopted, their competitive power can be raised and economic development will follow. At present our country is in the stage of readjusting the national economy and carrying out a shift in the strategy of economic development and also is facing the periodic renewal of a large amount of capital assets. If we can do a good job in combining them together, and if in the course of the technical

rebuilding of the national economy, which has the renewal of equipment as its principal component, bring about expanded reproduction by intension, then this would indeed be a strategic move which can perform an effective and good role in promoting economic readjustment and economic development.

At present, due to the reduction in capital construction investments, heavy industry production has become stagnant. However, since the need for replacing and renewing the capital assets is big and extremely urgent, once the topic of renewal is put on the agenda and due arrangements have been made, those departments which do not have sufficient tasks to perform now may well have too many tasks on hand. Heavy industry serves light industry and also serves the national economy. Once its various departments have been assigned definite tasks, they can motivate each other and the downturn in production can be changed into an upturn. Those already on the upturn can develop even faster, and, literally speaking, one correct move on the chessboard may well enliven the entire economy.

But we must give ourselves a reminder. Over many years in the past, we have been too anxious for quick results in economic construction and have suffered much because of this. At the present time, a large amount of capital assets is urgently awaiting renewal. Concerning this we must have a deep sense of urgency but we should never retread the old steps of eagerly striving for quick results. In undertaking capital construction, we must "measure our strength" first. The same thing is true with the renewal and rebuilding of capital assets. This is to say: We must have a sense of urgency, undertake the tasks in a scientific manner and in this way practically and realistically perform a good job of renewing and rebuilding capital assets.

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## NATIONAL POLICY AND ISSUES

### 'JINGJI GUANLI' ON TECHNICAL PERSONNEL SHORTAGE

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[Article by Liu Changwei [0491 7022 0251] and Zhao Zhongkuan [6392 0022 1401]:  
"How Small Enterprises Should Solve the Shortage of Technical Personnel"]

[Text] At present, the shortage of technical personnel has become a common and serious problem in the development of small enterprises and particularly in the collective enterprises of counties and people's communes. It is not unrealistic to solve this problem in a short time by relying on state distribution. Are there some ways for such enterprises to solve this problem? Some county and people's commune enterprises in Jiangsu Province's Wujin County have found a good method to solve this problem in the past few years by establishing contact with scientific research units and carrying out technical coordination.

Now more than 20 enterprises in the county have carried out technical coordination with scientific research units and institutes of higher learning in various places. Such coordination is mainly carried out in the following three forms:

The first form: According to their development planning, enterprises coordinate with scientific research units with regard to difficult technical items. These enterprises pay a certain amount of money to research units for solving technical problems. For example, the Wujin electric light apparatus components factory (a small factory producing various kinds of quartz products and light sources) was once planning to make new products—1,000-watt dysprosium lamps. But to produce such lamps requires high-level design and technology which were beyond the reach of the factory's technical force. The factory later signed an agreement with the Shanghai Electric Vacuum Research Institute and, accordingly, paid 65,000 yuan to the institute for technology transfer, staff training and equipment purchases. The institute is also responsible for providing product blueprints, designs and training until the factory is able to produce the lamps at the required standard. Such contracts basically end following the completion of the projects. This form of contract is called "single item technical coordination."

The second form: according to this form, enterprises sign contracts with scientific research units, with the latter constantly providing the factories with certain research achievements while the factories are responsible for

carrying out experiments and production and for certain research fees. Take the situation of the Wujin Radio Components Factory for example. This factory was a former workshop of the Hengshan People's Commune Metalware Factory. It was producing metallic film resistors. In 1978, it established relations with the computer science department of Nanjing University. The department has since constantly supplied the factory with scientific research achievements, including various series of double-type integrated circuit sockets, blueprints, samples, experiments and training. The factory, on the other hand, has to complete experiments on new products in time, meet various technical goals and organize production according to the sales situation. Part of the net profits gained from the sales of the products is given to the department of the university as compensation for research fees. This form of coordination is termed "long-term coordination." It is more advanced than the "single item technical coordination" and with this form, the relations of coordination between enterprises and research units are basically fixed. This form of coordination is not only helpful in solving a series of technical problems of enterprises, but has also provided wide areas for research units in carrying out experiments and trial production and introducing their achievements. This form has promoted the combination of scientific research and production, rapidly turned the achievements of research into productivity and made up for shortages of state investments in scientific and research undertakings.

The third form is "joint technical coordination." This form is a step beyond the "long-term coordination." A scientific research unit and an enterprise represent two units with independent accounting. But with this form, they basically become an integrated economic and technical body with a common material interest. The Daiqi Chemical Factory (a people's commune enterprise with collective ownership that was formed at the end of 1978) reached a joint venture agreement with the Changzhou Chemical Industry Research Institute in October 1980 and the name of the factory was changed to the Changzhou Chemical Industry Research Institute-Daiqi United Chemical Industrial Factory. The institute is responsible for product selection, design, experimentation, trial production and all engineering technology while the enterprise is responsible for production, supply and sales and making arrangements. In addition to routine contacts, the leaderships of the two sides hold monthly coordination meetings. The institute retains 2 percent of the income from the annual sales of the products of the factory as payment for its technical investment.

The situation in Wujin County showed that more and more small enterprises have established contact with research units, and the form of coordination has gradually developed from single-item technical coordination to long-term technical coordination and technical joint ventures. This is because such coordination is in the interest of both sides. On the basis of single-item technical coordination, the Wujin electric light apparatus components factory now has, through an introduction from the Shanghai Electric Vacuum Research Institute, established long-term coordination with the electric light sources research institute of Dudan University, the most authoritative institute of its kind in the country. When referring to the advantages of technical coordination between small enterprises and research units, responsible members of the factory summarized them in the following five points:

1. It is in the interest of enterprises to correctly define the market orientation for the development of their products and to step up the making of new products. In the past, the Wujin electric light apparatus components factory also had the intention of developing quartz products and electric light sources but it was not familiar with the trends in the development of related technology. It could not decide how to define its development and when to start developing new products; it was often indecisive in defining policies. Following the establishment of its contact with the institute, the factory, first of all, received detailed guidance with regard to the above-mentioned questions from the institute. Having solved these questions, the factory decided to produce 1,000-watt dysprosium lamps as the first item in its single-item technical coordination. On this basis, the factory has developed a series of new products such as metal halide lamps, large size light sources and stage lamps. Under the guidance of the institute, the factory recently made three kinds of complete equipment, one of which is an external checking apparatus for dermatology departments, the first of its kind made in China.

2. It is in the interest of consolidating and exploiting enterprises' supply and sales channels to ensure a steady development of production. Like most small enterprises, the production, supply and sales of the factory mainly depend on market regulation. Now, with help from the institute, this factory has been able to improve its technology and the quality of its products and production costs have been drastically reduced. It has also been able to independently produce products with stronger competitiveness. Consequently, this factory has been able to consolidate and exploit the channels for production, supply and sales and realize a balanced production.

3. It is in the interest of stepping up the training and building of the ranks of enterprise technicians. For example, during its coordination with the electric light apparatus components factory, the Shanghai Electric Vacuum Research Institute has trained 13 technicians for the factory. Thanks to the coordination, this factory now has mastered the production technology for dozens of types of dysprosium, mercury and indium lamps and has been able to design some medium- and high-priced products. From the time of its coordination with the factory last year to the end of April this year, the Institute of Fudan University has given 40 technical courses for the factory, with more than 200 attendants. It has also given technical guidance on more than 20 occasions.

4. It is in the interest of enterprise technical reform and better economic efficiency. During its coordination with the vacuum research institute, the electric light apparatus factory has, under the guidance of the institute, carried out an overall technical reform of its equipment. Most of the factory's equipment was designed or purchased by the institute on its behalf. When the institute was helping the factory in technical reform, it also fully considered the technical level, general nature and price of the equipment needed and, therefore, the equipment in general has better economic efficiency. For example, an energy storage-type impulse stitch welding machine purchased by the institute on behalf of the factory can be used in electrode and molybdenum segment stitch welding with light sources ranging from 20 to 2,000 watts, thus decreasing equipment investment. With regard to quartz roasting, the institute has helped the factory improve the related furnace to lessen the labor required, drastically save energy and improve efficiency.

5. It is in the interest of improving enterprise management. Technicians from the institute have made a number of beneficial suggestions as how to improve the management of the factory. The leadership of the factory has also improved its understanding of the importance of management and, consequently, has formed a complete management system.

The five advantages mentioned above by the Wujin electric light apparatus components factory are general. Most of the more than 20 enterprises across the county which have established relations with research units have basically been able to produce salable products with stable quality and lower cost. They have also improved economic efficiency and the market competitiveness of their products. How should small enterprises establish relations with research units?

Experiences of the enterprises mentioned above show that basically there are three points.

1. Sign coordination contracts and follow all their clauses; the mutual interest of the two sides must be defined clearly.
2. Respect scientists and technicians and modestly accept correct opinions and lose no time in using them in practice.
3. Enterprises must often exchange experiences with research units and spare no efforts to take part in the related activities organized by research units. The problems arising in production and sales must be discussed in time with research units.

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## NATIONAL POLICY AND ISSUES

### REPORT ON LIGHT INDUSTRIAL PRODUCTION

#### Light Industry Growing

HK241338 Beijing JINGJI GUANLI in Chinese No 10, 15 Oct 82 p 4

[Article for "Write-in Forum on Studying 12th CPC Congress Documents" by Yang Bo, minister of light industry: "It Is Necessary To Bring About a Change in the Guiding Ideology of Light Industrial Production"]

[Text] As a result of efforts made by departments of light industry in implementing the principle of readjusting, restructuring, reorganization and upgrading the national economy and also the policy of energetically developing the production of consumer goods since the 3d Plenary Session of the 11th CPC Central Committee, China's light industry has been growing at a much faster pace. There are more varieties of products and some improvements in their quality. As production grows, market conditions also improve markedly. The broad masses no longer have to wait cash in hand and rush to purchase. Now, they can put their money away and take their time in choosing what they want. Production is growing, market is brisk and the people feel at ease. Things have not been this good for years. Under this new situation, however, a number of new problems have recently cropped up. The main problem is that some light industrial products are not selling well and are overstocked. Oversupply of a few products due to blindness in production and clogs in the channel of circulation may be partly responsible, but the main reason is that the masses are now more selective and the quality and variety of our products cannot yet meet their requirements.

Faced with these new conditions and problems, how are we going to bring about a further growth in our light industry? To put it briefly, we should change the look of things and attain a higher level.

In order to change the look of things, we must first change the backward appearance of light industrial production as characterized by poor quality and lack of variety. We cannot follow the "set system" year in and year out. As a second step, we must change the ideological outlook of the staff and workers and keep abreast of the demands of changing times. Everyone, from leading cadres to workers, must consciously improve his work in accordance with the requirements for building the "two civilizations."

By attaining a higher level, what we mean is to raise our technical level and managerial level. The "sellers' market" is now in the process of changing into a "buyers' market" and it is no longer possible to take advantage of strained or superfluous supplies.

To this end, a lot of work needs to be done. For example, we should speed up technical transformation, organize forces to tackle scientific research projects, improve the designing of products, train workers by rotation and pay close attention to the consolidation of enterprises. However, I think it is most important that we make an earnest effort to bring about a change in guiding ideology in the spirit of the 12th Party Congress. This involves at least six specific tasks: 1) Instead of stressing speed at the expense of returns, we must strive for both speed and returns. It is impossible not to talk about speed, but the crucial question is to stress economic results. Stressing returns means that we must not economize on funds, lower consumption and furnish more accumulation for the state, but must give due consideration to the interests of consumers by supplying them with quality goods at reasonable prices. 2) Instead of stressing output value and volume at the expense of quality and variety, we must persist in putting quality above everything else and introduce new designs and varieties. 3) Instead of stressing production at the expense of management, we must pay equal attention to production and management, strengthen market surveys and forecasts and improve sales and service. 4) Instead of putting town above country, we must give consideration to the needs of urban inhabitants and pay great attention to the demands of the 800 million peasants. 5) Instead of stressing extensive development at the expense of intensive development, we must concentrate on intensively advancing production. This chiefly means that we must pay close attention to the technical transformation of existing enterprises and tap the latent potentials of these enterprises. 6) Instead of stressing immediate concerns at the expense of long-term planning, we must pay attention to immediate production tasks as well as long-term development plans. According to the objective formulated by the party Central Committee, we are to quadruple the gross annual value of industrial and agricultural production by the end of this century. This means that we must lay a solid foundation, accumulate strength and create the necessary conditions in the first decade and usher in a new period of vigorous economic growth in the second. We must keep this objective in mind when we consider plans for the development of light industrial production or formulate specific goals, working procedures and actual measures.

The above-mentioned six changes all boil down to one point: We must consciously bring about a change in the guiding ideology of light industrial production and foster the idea of wholeheartedly serving the consumers. Provided that we firmly adhere to the line, principles and policies of the party Central Committee, always give due consideration to the consumers and are willing to use our head, find new solutions and blaze new trails, we will certainly be able to achieve new progress and higher standards in our light industrial production.

#### Commercial Work

HK241340 Beijing JINGJI GUANLI in Chinese No 10, 15 Oct 82 p 5

[Article for "Write-in Forum on Studying 12th CPC Congress Documents" by Liu Yi, minister of commerce: "Commercial Work Must Better Serve Production and Livelihood Needs"]

[Text] Comrade Hu Yaobang pointed out in his report to the 12th Party Congress: "Whether commercial work is done well or badly has a direct bearing on industrial and agricultural production and the people's standard of living and the importance

of this truth has become increasingly manifest in China's economic growth." In the spirit of this congress, the commercial departments must strive to multiply the channels of commodity circulation, invigorate the urban and rural economy and better serve socialist modernization and meet the growing material and cultural needs of the people in the new historical period. At present, we must concentrate on grasping the following tasks on the commercial front.

1. It is necessary to give full play to the important role of commerce in stimulating production and in guiding production.

Ours is a planned economy based on socialist public ownership. Planned production and circulation form the main body of our national economy. At the same time, the production and circulation of some products are allowed to be regulated through the market. This makes it imperative for our circulation departments to play a more dynamic role in stimulating and guiding production.

"Stimulation" and "guidance" both serve to dovetail industrial and agricultural production with market needs and truly reflect the objectives of socialist production. In the case of goods much needed by the masses we must concentrate our efforts on providing "stimulation" and do what we can to boost production. In the case of unmarketable goods or goods in excessive supply, we must concentrate our efforts on providing "guidance" and make readjustments in production. This makes it imperative for the commercial departments to strengthen market surveys and forecasts and provide commodity information in good time; to institute a reasonable policy for the purchase of agricultural and sideline products by the state and actively support the development of commodity production in the countryside; and to gradually make perfect the modes of buying and selling manufactured goods, improve the way of conducting retail and wholesale businesses, promote the planned development of grain, economic crops and multiple undertakings and bring about a planned growth in the production of manufactured goods for daily use.

2. It is necessary to open up smooth channels of circulation that radiate in all directions.

The State Council has decided to put into effect a new system of carrying out division of labor according to commodities and breaking down the boundaries between town and country. We must actively and conscientiously implement this decision. There must be new breakthroughs both in the flow of manufactured goods to the countryside and in the flow of agricultural and sideline products into the cities. On this basis, it is necessary to discuss further reform of the circulation system. We must, under the guidance of the state plan, enlarge the decision making power of commercial enterprises and do business in a more rational and economical way so as to achieve significantly better economic results in these enterprises and in society as a whole.

We must maintain the leading position of the state sector of the economy in the realm of circulation. At the same time, we must give full play to the positive role of different economic forms and open up channels of circulation, with the state sector playing the leading role and supplemented by collective and private commerce.

3. It is necessary to improve the infrastructure of commercial enterprises and of the worker contingent.

Around the central issue of striving for better economic results and better service, we must carry out all-round consolidation and restructuring of enterprises dealing with wholesale and retail businesses and catering services by groups and by stages and try to find out the right form of administration for different types of enterprises. We must try out the "profit improvement tax" and the methods of signing management contracts and combining fixed wages with floating wages in small retail shops and in food catering services. We must also take effective measures to strengthen political-ideological, cultural, professional and technical education among the staff and workers and significantly improve their political and professional qualities so that they can play a more positive role in building socialist material and spiritual civilization.

#### Space Industry

HK241342 Beijing JINGJI GUANLI in Chinese No 10, 15 Oct 82 p 6

[Article for "Write-in Forum on Studying 12th CPC Congress Documents" by Zhang Jun, minister of space industry: "Speed up the Development of China's Space Industry Under the Guidance of the Spirit of the 12th Party Congress"]

[Text] China's space industry has developed under the leadership and concern of the party Central Committee and of proletarian revolutionaries of the older generation including Chairman Mao and Premier Zhou. Thanks to the concerted efforts made by various localities and departments under the guidance of unified state planning in the past 20 years and more, we have gradually set up a nationwide network for coordinating research and production in the field of the space industry and laid the material foundation for developing China's space industry through self-reliance.

China started rather late as far as space technology is concerned. However, we persistently followed our own road, adopted as much advanced technology as national conditions permitted and brought ourselves a step closer to the advanced levels. Thus, we were able to achieve great success with less investment and fewer launching missions. China successfully launched its first man-made earth satellite in 1970. By 1976, we had launched a total of seven satellites. Since the smashing of the Jiang Qing counterrevolutionary clique, especially since the 3d Plenary Session of the 11th CPC Central Committee, we have taken another giant step forward through the successive launching of different types of scientific and technical test satellites. Following the successful launching of a carrier rocket targeted at the Pacific area in 1980, we achieved yet another success in 1981 in launching three satellites with a single rocket. A new-modeled satellite launched not long ago has accurately and safely returned to earth as planned after orbiting in space. At present, we are developing Jiang carrier rockets for launching synchronous orbital earth satellites and Perigean orbital rockets. Our space science and technology has rendered outstanding service to the national economy and to scientific research. All this will serve as a solid foundation for the further development of our space industry.

Comrade Hu Yaobang pointed out in his report to the 12th Party Congress that the modernization of science and technology is a key link in our four modernizations. We must firmly adhere to the spirit of the 12th Party Congress, uphold the orientation of making space science and technology serve the modernization of agriculture, industry and national defense and work for the realization of the grand objective formulated by the 12th Party Congress. We must also adhere to the principle of developing China's space industry according to its national condition. During the period of national economic readjustment, we must attach priority to the development of needy and practical projects in selected areas and strive to popularize and apply available technical measures. In order to fulfill the glorious tasks entrusted to us by the 12th Party Congress, we must exert ourselves in the following endeavors:

1. Properly consolidate the party's ideology, organization and work style in the spirit of the 12th Party Congress, do a good job of education and administration among party members and pay attention to the building of spiritual civilization.
2. Continue to grasp the work of providing training and education for all staff by rotation and promote a large number of professional people who have both revolutionary consciousness and mastery of advanced scientific techniques, production skills and scientific management know-how in accordance with the requirements of different specialized departments of the Ministry of Aviation Industry.
3. Conscientiously carry out the consolidation, technical transformation and administrative restructuring of enterprises and strive to attain the goal of improving the quality and economic results of scientific research, production, tests and so on.

China's space science and technology has many uses and is of great significance to the motherland's modernization drive. Although we will still encounter difficulties on our road of advance, we believe that the vast numbers of technicians, workers and cadres of our ministry will be able to overcome these difficulties and obstacles with their boundless working zeal and wisdom and make outstanding contributions toward realizing the grand objective formulated by the 12th Party Congress.

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## NATIONAL POLICY AND ISSUES

### 'JINGJI GUANLI' URGES ENTHUSIASM FOR ECONOMIC CONSTRUCTION

HK301126 Beijing JINGJI GUANLI in Chinese No 10, 15 Oct 82 pp 8-12

[Article by Cui Shiyong [2710 0013 6978]: "Mobilize and Organize the Enthusiasm of All Quarters To Strive To Push Socialist Economic Construction Forward"]

[Text] Comrade Hu Yaobang made a report at the party's 12th National Congress. He presented to the whole country the various militant tasks for the overall initiation of a new situation in the construction of socialist modernization on the basis of scientific analysis and comprehensive estimation of the political-economic situation. Among these tasks, the first is to further develop economic construction. Taking the country's situation into consideration, the congress agreed on the strategic goal, emphasis and procedures for our country's economic construction in a practical and realistic way. The comprehensive implementation of the strategic plan of the 12th National Congress will surely help our country's economic construction overcome all kinds of hardships and advance forward systematically and persistently and reach the scheduled goal step by step.

The objective of our economic development for the two decades between 1981 and the end of this century is, while steadily striving to increase economic returns during the implementation of the four 5-year plans, to work hard to quadruple the gross annual value of industrial and agricultural production. In other words, by the end of this century, the gross annual value of industrial and agricultural production should register a 300 [as published] percent increase as compared with 1980. With the realization of this target, the total sum of our country's national income and the manufacturing of the main products of industry and agriculture will rank among the best in the world. The national economy will make great achievements in the process of modernization. The material and cultural life of the people will be comfortably well-off. In order to materialize this magnificent goal, the next 20 years will be divided into two stages: the first 10 years will mainly be devoted to laying a good foundation, accumulating strength and creating conditions; the next 10 years will lead us into a new period of economic revival. Ten years of preparation followed by 10 years of prosperity—the key lies in the preparation of the first 10 years. Whether we can do well the various items of preparatory work depends, to a great extent, on whether we can victoriously realize the requirements of the Sixth 5-Year Plan which was first put into practice in 1981. Starting from 1983, we should

realize the fundamental improvement of the financial and economic situation within 5 years so that economic construction will be led steadily onto a new road which will suit our country's condition and achieve good economic benefits. We should make further efforts to do well in the readjustment, rectification and restructuring of the national economy so that the economic structure and economic system will gradually become rational, thus bringing enterprise management to a new standard. Renewal and technical reformation should be made to the present enterprises step by step. As a result, the technical level in the main spheres of industry and transportation will obviously be raised. Capital should be relatively concentrated on strengthening key construction so that the weak links of power resources and transportation will receive the necessary reinforcement. The scientific and educational causes should be vigorously developed. The scientific and technical contingent should be enlarged so as to enhance the level of economic management personnel at different levels. Some of these jobs have to achieve remarkable results during the Sixth 5-Year Plan because many more things will be accomplished through the efforts of the "Sixth 5-Year" Plan and the "Seventh 5-Year" Plan. To do these jobs well, one by one and in a down-to-earth manner will result in a boost in the efficiency and the benefits of economic work. This not only guarantees a steady increase in the national economy at a certain speed in the first 10 years but also lays a more solid foundation and creates sufficient conditions for the economic revival in the next 10 years.

Obviously, our task is difficult. The key to whether we can materialize these tasks and meet the coming of the new period of economic revival, lies in having our understanding in concert, going all out to do the jobs well. We are now facing many difficulties. To defy difficulties and to be blindly optimistic do not constitute the scientific attitude of seeking truth from facts. They will not help develop our cause. However, we possess many favorable conditions and great potentials. It would be wrong if we lose heart or recoil in fear just because we fail to see all this or underestimate the situation. We have already brought the years-long chaos of our country to an end and have realized the stability and unity of the whole country. This political situation, which favors economic construction, will be consolidated and developed over a long time. The stress of work of the whole party and the whole country has been shifted to the construction of socialist modernization. Cadres at various levels and the masses of people will plunge into construction with single-minded devotion. This in itself is a huge force. The party has formed a correct guiding thought and a set of principles and policies regarding economic work. They will continuously display their power in the new practice. Through 30 years of effort, we have built a material and technical base of considerable scale. This base will play an increasingly important role in future construction. The present international conditions are, on the whole, favorable to us. If only we give full play to the role of these fundamental favorable conditions and handle the difficulties with a scientific attitude and try every means to overcome difficulties, we will be able to have the national economy heading forward steadily and achieve results greater than those of the past in the coming 20 years.

Here, the most important thing is to fully mobilize the enthusiasm of various departments, local authorities, enterprises and the masses of working people, to organize them in a reasonable way and to have them play the most effective role. In order to do a good job, we should keep on implementing the series of correct policies and principles the party has stipulated for economic work since the 3d Plenary Session of the 11th Central Committee. At present, we should pay special attention to the handling of the relationships of the following:

1. Correctly handle the relationship between the people's livelihood, production and construction in order to combine well the people's long-term interest with their present interest.

These years, in order to correct the past one-sided stress on construction and production and the tendency to ignore people's livelihood, the party and the government have adopted a series of measures, raising the purchasing price of agricultural products and by-products on a large scale. They have enlarged employment in cities and towns, readjusted the salaries of staff and workers and practiced the system of bonuses, which have fairly quickly raised the living standard of people in rural and urban areas. From 1979 to 1981, the net income of each peasant has on average increased by 66 percent. The total sum of staff and workers' income has increased 44 percent. Both have greatly surpassed the total output value of agriculture and industry for the period, which was increasing at the speed of 20 percent. In these 3 years, the newly increased income has been almost fully used in increasing consumption while the accumulative fund has not been increased. It is right to do this in order to make rapid improvement in people's livelihood, which has been on the low side for a long period of time. It also helps to readjust the proportional relationship between accumulation and the seriously unbalanced consumption. It plays an important role in consolidating social stability and unity, mobilizing the productive enthusiasm of the masses of people and enhancing the development of the economy. Yet, this can only be practiced in a specific and relatively short time and cannot continue for a long time, because the improvement of people's livelihood, after all, should be built on the basis of developing production. The development of production should be gradual, and the improvement of livelihood should also be done gradually. If the increase of consumption surpasses the increase of production for a long time and the increase of national income is entirely used for consumption, this will surely have an influence on the increase of accumulative funds and the expansion of production and construction, which might lead to the weakening of the material base for the continuous improvement of people's livelihood. This will do harm to the long-term interest of the people as well.

We should see that great changes have taken place in the economic situation after a few years of readjustment. On the one hand, the income of the majority of people in the urban and rural areas has obviously increased and their material and cultural life has improved to varying degrees. On the other hand, the country's investment in capital construction has been cut to the minimum. In the future, it should be properly increased by steps. Taking this new situation into

consideration, people's livelihood in the future should keep on improving gradually, but the extent should not surpass but should be kept lower than the extent of the increase in production and labor productivity. To be more concrete, in the next few years, the increase in the income of peasants cannot primarily depend on the continual increase of the purchasing price of agricultural products. The base of requisiting and assigned purchases cannot be further lowered and the range of negotiated prices cannot be further expanded. The increase of staff and workers' average salary can only be lower than the increase of labor productivity. If only we keep increasing labor productivity, reducing costs and eliminating various wastes and make unflinching efforts and achieve substantial results it is totally possible to improve livelihood and, at the same time, accumulate the necessary funds to expand production and construction, thus creating conditions for the further improvement of livelihood.

2. Correctly handle the relationship of capital distribution between the central and local authorities and the enterprises, relatively concentrate capital and strengthen key construction. At the same time, carry forward the technical transformation of enterprises step by step.

Strengthening key construction, which centers around energy resources and transportation, and speeding up the technical transformation of present enterprises are two significant tasks which should be done to lay a good foundation in the first 10 years. The shortage of energy resources and transportation constitute a serious restrictive factor to economic development. If we cannot make the necessary reinforcement to the exploitation of power resources and the construction of transformation within 10 years, economic revival might meet with great difficulties in the next 10 years. In the meantime, we must see that the shortage of energy resources in our country is, to a great extent, caused by high energy consumption and gross waste. And one of the important reasons for this situation is the old equipment and backward technology of many enterprises. If we do not renew the equipment and transform the technology by steps so as to make fundamental improvement in the technical situation in the main spheres of industry and transportation, even if key construction is able to develop energy resources, it might not be able to guarantee the speed of the development of industry as scheduled. It might not guarantee the achievement of better economic benefits. On the one hand, key construction should be strengthened. On the other hand, technical transformation of present enterprises should be carried on. This is a contradiction under the situation when financial and material resources are insufficient. The fundamental way to solve this contradiction is to develop production, increase benefits and open all avenues for financial resources. At present, there are great potentials for increasing production and practicing economy in every respect. If only the policies are right and the measures are competent, with the present financial and material resources it is entirely possible to produce more material and wealth. Failing to see this fundamental aspect and raising capital regardless of the development of production, the problem of capital will not be solved. At the same time, under the precondition of opening all avenues for financial resources, there are also the problems of reasonable distribution and employment of funds.

Over a long time, we have laid the stress on new construction and have ignored reformation. In the distribution of funds, too much is concentrated in the hands of the central authorities, which has led to many negative results. In the past few years, while readjusting the proportion between accumulation and consumption, we have expanded the financial resources reserved for emergency use in enterprises and localities. It should be fully affirmed that this has played an important role in giving play to the enthusiasm of enterprises and local authorities. It has also played an important role in speeding the renewal of equipment and technical transformation. The issue now is that the distribution and usage of capital appear to be too dispersed, because some reform measures cannot work together and some units do not draw and use capital according to the policies and plans of the country. On the one hand, state finance is in tight circumstances and key construction, such as energy resources and transportation, are short of capital; on the other, there has been a repetition of the blind expansion of the production capacity of the processing industry, recklessly offering bonuses and subsidies is a relatively common phenomenon, and funds for necessary technical transformation are not guaranteed. As a result, energy resources and transportation, which badly need to be strengthened, are not able to get what they should get. Technical transformation which stresses saving energy is slow in developing while the energy-consuming processing industry keeps expanding. The contradiction between demand and supply of energy resources and transportation has not eased but is getting more acute each day. Obviously, this situation will not be favorable to the harmonious development of the economy if timely changes are not made.

Taking this situation into consideration, we should adopt appropriate measures to readjust the relationship between the central and local authorities and enterprises in the distribution of capital under the precondition that we should reinforce the initial fruits of the reformation of the system, so that the state will concentrate the necessary capital on strengthening key construction. At the same time, administrative as well as economic means should be taken to guide the enterprises and the local authorities to put their capital in areas where the state is badly in need of help, especially in the renewal of equipment of enterprises and the reformation of technology. Relative concentration of capital does not mean returning to the old road, where the central's hold was too tight and its concern overdone. On the contrary, consideration should be given to the reasonable demand of enterprises and local authorities, assuring their right to enjoy the necessary financial resources reserved for emergency use and to manage things in line with local conditions, things which will be inappropriate for the state to do. This will better give play to their enthusiasm. The most important thing is to cut down construction which is carried out owing to the blind expansion of the capacity of the processing industry, so as to spare capital to strengthen key construction and carry forward technical transformation. In view of this problem, we should persist in the principle of taking the whole country into account. We should see that if only the local authorities and enterprises engage in fewer construction projects while the central engages in more key construction, such as energy resources and transportation, and carry out active technical transformation in enterprises, the whole economy can advance in harmony and the enterprises and local authorities will obtain the necessary external conditions and better give play to their own initiative and enthusiasm.

3. Correctly handle the relationship between upholding the guiding function of state-run economy and developing the diversified economy, so that relations of production will further adapt to and promote the development of productive forces.

Socialist state-run economy is in command of our country's economic bloodline. It occupies a leading position in the national economy. To consolidate and develop state-run economy is a decisive condition for assuring that the collective-owned economy of the laboring masses advances along the socialist path and that the individual economy serves socialism. Due to the fact that in the past we tended to seek the transition to ownership by the whole of society regardless of the nature of the productive forces, some units which should not have been run by the state practiced state management or practically became state-run units. This needs to be readjusted gradually by taking proper methods. Nevertheless, taking its principle parts into consideration, our country's state-run economy undoubtedly meets the demands of socialized productive forces. Whether in the past, at present or in the future, it inevitably plays the primary role in the development of the whole economy. There should not be the least doubt and wavering about this point. At the same time, we should also see that the overall level of development of our country's productive forces is low and rather unbalanced. Therefore, over a long period of time, there will certainly be many forms of economy in existence. In the rural areas, the cooperative economy of collective ownership of the working masses is the main form of economy, which suits the level of the productive forces. It should be actively developed. Handicraft industry, industry, architecture, transportation industry and especially commerce and service trades in towns and cities should not and cannot be monopolized by state-run economy. A large part should be run by the collective. In recent years, the party adopted the policies of encouraging the development of collective economy of cities and towns. Achievements have been won in many respects. However, this problem has not been fully solved. We should earnestly sum up our experiences and adopt further measures in every respect to speed up greater development in collective economy. In the meantime, in both urban and rural areas, individual economy of the laboring people should be encouraged to develop properly within the limits set by the state and under the management of industrial and commercial administrative departments as an indispensable and beneficial complement to publicly-owned economy. While upholding the dominant role of state-run economy according to the nature and level of productive forces, only by rationally disposing and developing various forms of economy can we promote economic prosperity in urban and rural areas and make things convenient for the people's everyday life.

In order to give play to the enthusiasm of enterprises and the laborers, we should also combine the system of job responsibility, which practices management and administration, with adherence to public ownership of the means of production. We should do away with the phenomenon of nobody bearing responsibility. We must not carry out egalitarianism and "everybody sharing food from the same big pot." The strict system of job responsibility should be set for each internal link of public-ownership economy, especially for productive units at the grassroots level.

Above all, this system of job responsibility should be closely associated with the economic interest of enterprises and laborers. Only by doing so can the advantages of the socialist economic system be fully brought out. These years, various forms of job responsibility systems have been gradually erected in the rural areas. It is a new creation in this respect, which further mobilizes the productive enthusiasm of the mass of peasants. It has vigorously pushed the development of agricultural production forward. The task now is to stabilize all forms of the job responsibility system in the rural areas first, trying not to make reckless changes. What is more important, we must not take the road back. Under this precondition, we must solve well the new problems turning up after practicing the job responsibility system according to the will of the masses and practical needs and achieve perfection by steps. In the state-run enterprises of industry and commerce, the implementation of the job responsibility economic system on the basis of expanding the sovereignty of enterprises has also won certain achievements. Comparing state-run enterprises of industry and commerce with collective agriculture, the former has its own characteristics, whether in productive forces or the relations of production, and the situation is much more complicated. However, to practice the responsibility system and appropriately join together responsibility, rights and interests is also an indispensable means to mobilize the enthusiasm of enterprises and staff and workers. We should take a positive attitude to summarize experiences earnestly and seek for and create a set of concrete forms of job responsibility systems that suit the features of enterprises of industry and commerce so that we can better mobilize the enthusiasm of enterprises and staff and workers.

4. Correctly handle the relationship between taking planned economy as the main method and regulation by market mechanism as secondary. Combine flexibility with planning.

Socialism must practice planned economy on the basis of public ownership. At the same time, it must display well the supplementary function of regulation by market mechanism. Correctly handling the relationship between these two is a fundamental problem which needs to be solved in the reformation of the economic management systems. According to historical conditions in the socialist period and the historical experiences of socialist construction, we should affirm that the production and circulation of our country should take planned economy as the principle part. In the meantime, under the condition that planned production and circulation play the dominant role, a part of the production and circulation of products (mainly small commodities) can be adjusted by the market; that is, according to the specific situation of different periods, the nation plans and sets a certain range and lets the law of value spontaneously play the role of adjustment. This part is supplementary to planned production and circulation. It is subordinate, secondary, yet it is indispensable and beneficial. At the same time, in order to have the guidance of plans really geared to actual circumstances, we should distinguish the different situations and adopt different forms of planned management. As for producing and distributing means of production and subsistence within the state-run economy which concern the

national economy and the people's livelihood, especially for the backbone enterprises which concern the whole economic situation, we must practice directive plans. This is an important embodiment of our country's socialist public ownership by the whole people in the organization and management of production. As for collective-owned economy, some directive targets should be issued according to demands. As for other less important products and enterprises, we should also practice directive plans, mainly employing economic methods to lead enterprises to initiatively materialize the demand of state planning. Whether directive plans or instructive plans, both should strive to fit in with objective reality. We should often study the change of the supply-demand situation of markets, conscientiously make use of economic levers such as the law of value, price, tax collection and credit, lead enterprises to meet the demands of state planning and give enterprises various degrees of flexibility. Only by doing so can the plans be supplemented, perfected and further specified in time while they are under operation.

In other words, we will adopt various forms, such as directive plans, instructive plans and market adjustment, in economic management in order to get accustomed to the varied and complicated nature of the various forms of economy and socialist production existing in the socialist period. Practice has proved that it will not do if all the plans are directive, for that will cause the economy to lose vigor, making it rigid or semi-rigid. As a result, it may turn out to be against proportional development. On the other hand, if we only have instructive plans and market adjustment, this will practically weaken planned economy and encourage the anarchic state of social production, and that will not be favorable to the development of socialist economy. Our task is to correctly carve out the scope and boundary, respectively, for directive plans, instructive plans and market adjustment. We should coordinate well the relationship between them, reform the price system and the method of managing prices, try hard to enhance the level of the job of planning and strengthen the scientific nature of the plans so that there can really be flexibility in management, and not chaotic though flexible, thus combining well flexibility and planning.

5. Correctly handle the relationship between adherence to self-reliance and expanding economic and technological exchanges with foreign countries, urging domestic construction to develop better.

Since the 3d plenary session of the party's Central Committee we have practiced an open door policy while at home we have carried out diversified economy. Remarkable results have been achieved in the active expansion of economic and technological exchange with foreign countries according to the principles of equality, mutual benefit and helping to supply each other's needs. This is an important shift in our guiding thought concerning economic work. It is a strategic principle which we should cling to for a long time. We should actively expand imports on the basis of developing production. At the same time, according to the practical need and possibility of our country's economic construction, we should introduce advanced technology and crucial equipment which suit our

country's situation. Apart from that, we must do well the assimilation and developing work and import various goods and material which are indispensable to people's livelihood and the production of our country's industry and agriculture in a planned way so as to make up our weaknesses with the world's strong points. We should try to make as much use as possible of some foreign capital that can well be employed and carry out necessary production and construction. Yet we must have our feet planted in self-reliance while carrying out construction of socialist modernization. We should mainly rely on our own hard struggle. Our purpose in expanding economic and technological exchange with foreign countries is to strengthen our ability to be self-reliant and enhance the development of the national economy. Nevertheless, we cannot in the least do any harm to the national economy. For this reason, we should insist on the policy of unified planning, unified policy and joining efforts to deal with the outer world. Under this precondition, we can give play to the enthusiasm of local authorities, departments and enterprises in carrying out activities involving foreign economies. It will not do to be too strictly unified, yet the practice of each minding his own business and oneupsmanship, even at the cost of ruining national and state interest, should be firmly forbidden. In the process of persisting in the practice of an open door policy to the outside world, we should protect and develop all the legal issues involved in foreign trade and economic exchange. At the same time, we should be on guard against the behavior and thinking of worshipping and having blind faith in things foreign. Only by doing so can our country's economic and technological exchanges with foreign countries develop further in a healthy manner.

Placing economic construction in the central position does not mean that we can ignore or even weaken ideological and political work. Quite the opposite. While promoting the building of socialist material civilization, we must energetically strengthen the building of socialist spiritual civilization, strengthen education in Marxism-Leninism-Mao Zedong Thought and in communism among the broad masses of people, and try hard to cultivate laborers with ideals, morals and education who are discipline-minded. Thus, the construction of socialist material civilization and socialist spiritual civilization condition and promote each other.

The purpose of correctly handling the above relationships is to better mobilize the enthusiasm of the various quarters under unified plans. This is a fundamental way to promote the overall revival of our country's economy. If only we implement the various principles and policies of the 12th National Congress in earnest and do the jobs enthusiastically and discreetly, we will surely push our country's economy toward a new situation and reach our expected goal.

CSO: 4006/118

## MINERAL RESOURCES

### HIGH SPEED DEVELOPMENT OF COAL INDUSTRY URGED

Jinan DAZHONG RIBAO in Chinese 10 Oct 82 p 1

[Article by Huang Fuyao [4106 3940 5069], Deputy Director and Chief Engineer, Bureau of Coal Industry, Shandong Province: "Develop the Coal Industry at High Speed"]

[Text] Comrade Hu Yaobang pointed out in his report: "In the 20 years between 1981 and the end of this century, the overall target of struggle in our country's economic construction is to strive to triple the annual industrial and agricultural gross production value of the country, on the prerequisite of improving the economic benefit continuously." ". . . To achieve this economic development target, the most important thing is to solve the agricultural problem, energy resources and communications problems, and education and science problems." "In the next 20 years, a firm hold must be taken on these basic links of agriculture, energy resources, communications, education, and science, and they must be treated as the strategic emphasis of economic development." These directives of Comrade Hu Yaobang are correct and important. Although our coal industry has made important developments, it remains a weak link in our modernization construction and affects the rapid development of our national economy.

I am a technical worker of the coal industry. When I heard the report of Comrade Hu Yaobang, I was greatly aroused and personally felt the important responsibility on my shoulders.

Our province has abundant coal resources with all varieties of coal. It is located in an industrially developed coastal region. It has very good communications with the Jingpu and the Jiaoji Railways, the Yanshi Railway under construction, the ports of Yantai and Qingdao, and the port of Shijiusuo under construction. The rapid development of our province's coal industry is economically rational and necessary to guarantee the needs of industrial and agricultural development in our province and the east China region. In the last 30 some years, important developments have taken place in the coal industry of our province. Compared to the initial period of liberation, raw coal output has increased by 24 times. Mine production capacity and technical facilities have had notable improvements, establishing a reliable foundation for the rapid future development of the coal industry. However, during the 10 years of chaos of the "three five" and "four five" the construction forces of our

province's coal industry were crippled and capital investment and construction were reduced. Moreover, during the "five five" period in order to overcome the economic difficulties created during the 10 years of chaos, there was no choice except to raise coal production through increasing the intensity of mining of the old mines. As a result, a small number of mines became old before their time and had to be abandoned. For others, the relationship between mining and development and the coordinated mining of varying thicknesses were not properly regulated and safety measures lagged behind. The result of all this is that in the last few years new mines have not been able to replace old mines a strategic imbalance has occurred, and annual coal output has decreased. The large staff and workers of our coal battle front have always been capable of struggling. Under this temporary difficult condition, we are determined to answer the call of the Party Central Committee, conscientiously study the documents of the 12th National Congress, arouse our spirit, go all out, overcome difficulties, and march forward on the heels of victory. We will make every effort for the coal output in the province to double the current rate of 40 million tons a year.

In order to achieve a high speed development of the coal industry, we must first increase the size of new mines and accelerate the rate of new mine construction. To overcome the strategic imbalance that occurred, the capital construction of coal mines has gradually been strengthened since 1975. The development and construction of the Yanzhou mining region has become a key coal construction base in the country. The development of the Tengnan and Longkou mines has been accelerated and their sizes have been increased to over 13 million tons. However, the current rate of new mine construction still does not meet the needs of our national economic development. Investments must be appropriately increased, definite geological, design, and construction forces must be added, the development of the geological resources already delineated must be strengthened, and the exploration for new coal resources in the southwestern Shandong coal fields must be accelerated. With centralized manpower, materials, and financial resources, we must win the battle of new mine construction and develop the three large mining regions of Yanzhou-Jining, Zaozeng, and Longkou on a priority basis. By the year 2000, these three large regions will become new mines with a total annual production of 36 million tons and Yanzhou-Jining and Zaozeng will become the major new modernized coal mining regions in our province.

In the development of the coal industry, we must continue the policy of persisting with uncovering potentials, innovation, and reconstruction and fully develop the influence of existing producing mines. The policy of uncovering potentials, innovation, and reconstruction is an effective measure to fully use the existing foundation, spend less money and achieve fast results. Through the thorough implementation of this policy, very important results were achieved several years ago. A large scale increase was achieved in the coal production of our province. The mine capacity utilization rate of centrally coordinated coal mines once reached 134 percent. The annual production of 13 mines exceeded their original design capacities by more than 100 percent and 15 mines exceeded their original design capacities by 50 percent. Through technical reconstruction, not only were the mine capacities and production levels increased but the mines also underwent a change of appearance by taking a big step towards becoming large mines and becoming centralized and

mechanized. From now on, to develop our province's coal industry at high speed we must still conscientiously carry out this policy. For mines with large reserves, good conditions, and large potentials for increased production, such as the Liang Zhuang, Suncun, Huafeng, Chaili, Taoyand, Bucun, and Nantun mines, we must continue to carry out expansion and technical reconstruction, add new coal production areas, and reconstruct system links not suitable for production. We must also improve the technical equipment of mining, development, and transportation in key areas and depend on improvements in productivity, rate of development and resources recovery rate to raise production, so that potentials will continue to be uncovered in these mines and they will make greater contributions. In the next few years when investments for new mines in our province will be small and many old mines will be abandoned, we must particularly uncover the potentials of old mines fully as a means of raising coal production. We must strive for the increased production from old mines with potentials to make up for the decreased production from the old and declining mines, so that the present overall production level will be stabilized. In the year 2000, the currently producing mines must be in a position to shoulder more than 45 percent of the total output.

In order to develop the coal industry at high speed, new and greater developments and breakthroughs are needed in the scientific and technological work of coal. Improvements in development layout must be achieved, so that gradually mining and development work will become mechanized, metal supports will be used, belts will be used for haulage, and control will be centralized. To improve development layout and achieve mechanization and automation in mining, development, and haulage requires speed, labor, and good economic benefits. In order for faster development to be achieved in the scientific and technological work of coal, we must pay special attention to and fully develop the influence of the large scientific and technological personnel, strengthen the cultural education and technical training of the coal mine staff and workers, and take hold of the technical schools of the various bureaus and the provincial cadre schools. In addition, the mines must adopt a combination of release-from-production-work training and on-the job training and implement short training classes on a job classification basis. In other words, the technical level, operating level, and economic management level of the large staff and workers must be vigorously improved. To stimulate the masses to actively participate in scientific and technical activities, we must establish from top to bottom a sound scientific and technical organization and create a scientific and technical army that is tightly knit in organization, flexible in command, and coordinated in battle. In scientific and technical activities, schools, scientific research, and production units must be united and the cadres, workers, and technical personnel must be united, so that the positiveness of the various elements is mobilized to march towards coal science and technology and strive to raise the scientific and technical work in coal to a new level.

5974

CSO: 4006/098

## CONSTRUCTION

### IMPROVED PUBLIC SERVICES IN LANZHOU MUNICIPALITY REPORTED

Lanzhou LANZHOU BAO in Chinese 9 Sep 82 p 4

[Article by Li Zhanyi [2621 0594 0001]: "Public Services Continuing To Develop in the Process of Readjustment"]

[Text] For more than 3 years, public services in our municipality have continued to develop and progress along with the national economic readjustment. Some real problems in people's daily lives have been solved.

Many problems in our public services, especially the problem of drinking water and the problem of public transportation, have remained unsolved for many years. Since the Third Plenary Session of the 11th Party Central Committee, the party and the government have shown great concern for the people's livelihood and have speeded up the improvement of public services. According to statistics, since 1979, the investments in water supply, public transportation, and the supply of heat and gas have amounted to more than 40 million yuan, including some 25 million yuan for the supply of tap water. The second stage of water work in Xigu was completed last year, and the supply of tap water has been increased by 286,000 tons daily, thus meeting the requirements of production and daily use by the people in Xigu District. The shortage of water supply for the eastern section of the city has become less acute since the completion of the No 3 water work's expansion and the laying of the second water pipeline. The service of public transportation in the city has also markedly improved. The appearance of the bus stations, the sanitary conditions in the buses, and the traffic conditions have also shown considerable improvement. For the convenience of passengers, 16 waiting sheds have been erected. This facility is warmly hailed by the masses. The public transportation company has also increased the bus routes and, during the peak hours, increased the number of operating vehicles from 224 in 1978 to 281 as a means of relieving the traffic congestion. At the same time seven new routes were opened. In heating, the municipality has in the past several years adhered to the principle of adapting measures to local conditions and concentrating all resources on one spot which has to be gradually enlarged. In Chengguan and Zilihe districts where the population is concentrated, five heat-supplying spots were set up to serve different areas. The heating areas now amount to more than 230,000 square meters, and the nearby enterprises, public agencies and residential housing are all enjoying the benefits of heating.

8411

CSO: 4006/071

## CONSTRUCTION

### BIRTH OF SATELLITE TOWN NEAR BEIJING REPORTED

Beijing **BEIJING RIBAO** in Chinese 11 Aug 82 p 1

[Article by Zhu Danchi [2621 0030 6375]: "Huangcun Satellite City Emerging in Southern Suburbs"]

[Text] Construction in Huangcun Township in Daxing County in the southern suburbs of Beijing has continued to gather momentum in the past 6 years, especially since the Third Plenary Session of the 11th Party Central Committee. The completed town area has now been more than doubled. New structures of various types now occupy 660,000 square meters, including 410,000 square meters of housing--approximately 7,700 units or more. Thus Huangcun, a common market town some 6 years ago, has become a satellite city with a population of 60,000.

Huangcun Township was originally a hamlet. During the Qing Dynasty, when the emperors came to the forbidden zone of Nanyuan to hunt behind the walls, a gate, called "Huangcun Gate" was built here. Among the nine county cities in the suburbs of Beijing, only Huangcun is without a moat. When the people's government of Daxing County was moved from Qingyundian to Huangcun, the population here was less than 9,000, and agriculture was the main occupation. At that time, there were only a small number of small houses scattered here and there besides some farmland and dirt roads. In 1975, the population was increased to 30,000, but the foundation of construction in this town was very weak and city facilities, industry, commerce, service trade, and cultural and medical facilities were very scarce. Now, it has become a fairly flourishing city. There are now seven or eight main streets lined with tall buildings. In addition to residential houses, there are buildings for production and official business, large stores and attractive movie theaters. Along with the increase in population, commerce and the service trade have developed a great deal here. People can now buy whatever they need in nearby stores and have easy access to repair services, barber shops, bath-houses and restaurants. There are also elementary and secondary schools and some medical organizations. While roads were being built or repaired, the drainage and sewer pipes were also repaired. The roads are lined with trees, and plots full of blooming flowers can be seen at some street ends.

Huangcun City enjoys some geographical advantages. The land surface is flat, and water is plentiful. It is only 14 kilometers from Sanhuan Road in the

southwestern part of Beijing at the nearest point. The Beijing-Kaifeng Highway and the Beijing-Shanhaiguan Railway intersect here; it is a gateway to the southern suburbs of Beijing. To control the scope of development and to solve the problems of environmental pollution and shortage of living space, all caused by overpopulation in Beijing, the municipal government has decided to build Huangcun into a satellite city. Up to now, 31 enterprises and public agencies under the central and municipal governments have been established in this city. In the past several years, some factories originally located in Beijing, such as the Beijing No 6 Glass Factory formerly beyond the Yongdingmen, have been removed to this place, while others, such as the Beijing Plasticwares Plant and the Beijing Chemical Fiber Plant, were newly built here. Thus Huangcun has already begun to play its role in alleviating the pressure of overpopulation and controlling pollution.

According to the version of the comrades concerned, Huangcun will be built into an all-purpose city with light industry and trade in the dominant position. It will have a population of approximately 180,000. Inside the city, there will be a gymnasium, a children's palace, swimming pools, recreation centers and cultural entertainment places. In the reservoir in Songzhuang Plain southwest of the city, an aquatic park will be built. The Tuanhe, which formerly served as a temporary dwelling place for emperors on their hunting trips will become a cultural park for people to rest.

There are now still something in Huangcun far from being ideal. For example, there are problems with its transportation and telecommunication to Beijing and certain problems of policy which have to be gradually solved. However, along with the acceleration of the four modernizations, this city will be a growing attraction to people.

9411

CSO: 4006/071

## INITIAL SUCCESS IN BUILDING NEW TOWN IN BEIJING SUBURBS

601100 BEIJING RIBAO in Chinese 18 Aug 82 p 1

[Article by correspondent Huang Huachang (7806 5478 2490): "Building of New Town in Gucheng-Bajue Area Initially Completed in 3 Years"]

[Text] One day in June this year, a cadre, who had worked in Shijingshan District party committee for many years and was transferred to some other place 5 years ago, returned to Beijing as part of his service travel. When he returned to Gucheng, he could not find the Gucheng Secondary School. In the past 3 years, the Gucheng-Bajue area has changed a great deal. Scores of blocks of houses have been built and seven or eight thoroughfares have been opened. A new town with a population of more than 70,000 is now taking shape.

Gucheng-Bajue Area is located in an alluvial fan of the Yongdinghe River. It was originally a deserted beach full of rubble. After liberation, the Shoudu Iron and Steel Company built some houses on the southern side of the Gucheng main street and in Bajue Village. However, between the main street and Bajue Village, there still remained a large tract of farmland, a deserted beach and some dusty dirt roads. In 1979, inspired by the spirit of the Third Plenary Session of the 11th Party Central Committee, the district government of Shijingshan worked out a plan, based on Beijing's overall plan, for the construction of the Gucheng-Bajue area, as a means of speeding up the construction of the capital. In May 1980, the district government revised the construction plan in accordance with the four-point policy of the secretariat of the Party Central Committee for the construction of the capital. The initiative of Beijing Municipality and Shijingshan District was given full play through adoption of the policy of combining the unified construction under the municipal development company and the construction with self-raised funds by Shijingshan District. The Shijingshan district government in turn gave full play to the initiatives of various departments with the result that such knotty problems as land requisition and the demolition of houses and removal of homes were satisfactorily solved, and the availability of construction funds, building materials and the construction force was assured. These measures have helped speed up the construction. In the past 3 years, in this 9 square kilometer land, the area of housing construction exceeded 200,000 square meters, and was equivalent to 14.1 times the area in Shijingshan District in 1949-1978; and the completed housing area amounted to 88,000 square meters, or equivalent to 6.55 times the area completed in the previous 30

years. At present, the eastern, western, central and northern parts of the new town has been basically completed, and work on the Bajue residential area in the northeast and the Gaoceng residential area in the southwest is now in progress. The several newly built main streets are 30 meters wide with asphalt surface. These streets are the links between the Gucheng Main Street and the Shijingshan Road. A convenient network of roads is now taking shape.

Through centralized leadership and unified planning in building this new town, it was possible for the municipal public services and the commercial and service network outlets to be started and completed in close coordination with the housing project, and the completed houses were soon available for occupation. In the past 3 years, 1,200 units of new houses have been handed over for occupation. The distribution of the commercial network outlets is fairly rational. Both sides of the newly constructed Gucheng Street East are lined with residential houses, and there are commercial and service outlets for food, grain, vegetables, refreshments, sewing, watch repairs, postal service and savings deposits along the street. A commercial mansion with a floorspace of more than 3,000 square meters is now being built at the center of the town, and it will operate as a department store which also deals in nonstaple foodstuffs. To enrich people's cultural life, a movie theater of a novel style and painted in a soft color has been built on the western side of the Gucheng Road South; a children's palace has been built in Gucheng Road North; and a fairly large stadium has been built in the southeastern corner of the town. A race track, a soccer playground and two swimming pools are already being used. There are also six secondary schools and seven elementary schools in this town for the convenience of the children's education.

Another special feature of this new town is the beautification of the environment through tree-planting. Both sides of the new roads are lined with trees and flowers, and in the empty spaces among the groups of houses, there are small lawns with flowers and trees. The majestic and beautiful Gucheng Park, built with the support from various quarters is located in the center of town. The extensive planting of trees has contributed to a pleasant environment with clean air.

9411

CSO: 4006/071

## CONSTRUCTION

### PROGRESS ON CONSTRUCTION OF XIAMEN SPECIAL ECONOMIC ZONE REPORTED

Beijing GONREN RIBAO in Chinese 6 Oct 82 p 1

[Article by Zou Lizhang (6760 0448 3864): "Construction of Xiamen Special Economic Zone Being Speeded Up"]

[Text] Construction of Xiamen Special Economic Zone in Fujian is now being speeded up. Thanks to the all-out efforts, some supporting projects are making quick progress and a number of others have been completed.

The new industrial town--the Huli Industrial Park for exports--with a planned area of 2.5 square kilometers, is located at the center of a communications network. A total of 120 factory buildings can be completed during the first stage of work. Since the work was begun formally in October last year, nearly 2 million cubic meters of earth and stone have been dug out and used in reclamation. Work has been started on an area of 640,000 square meters, and facilities for production and daily living, such as warehouses, dining halls and offices, with a total area of 10,000 square meters, have already been completed. The building of a comprehensive office mansion, standard factory buildings, technical training centers and workers' dormitories, is now proceeding in earnest. After half a year's intensive work, the engineering project of power transmission across the sea has been successfully completed and the regular transmission has already begun. This project called for the construction of two high towers with a cable of 1,100 meters across the sea. This has been the first time for such large towers to be built in our country for power transmission across the sea. In Dongdugang of the special economic zone, the work on two wharves for ships of 10,000 tons and 50,000 tons has been basically completed, and will be ready for use by the end of this year. The Gaoqi Airfield is a medium-size international airport. After 8 months' work, approximately 70 percent of the earthwork for all the runways have been completed and it is anticipated that it will be completed and ready for test flights this year-end, and for regular operation next spring.

The rapid progress in the construction of this special economic zone has attracted many foreign, Hong Kong and overseas Chinese entrepreneurs to this place for discussion about investments. Up to now, the total investment planned by more than 500 plants and enterprises in 19 countries and regions is more than 40 million dollars.

## CONSTRUCTION

### ACHIEVEMENTS IN RESIDENTIAL HOUSING CONSTRUCTION IN LANZHOU

Lanzhou GANSU RIBAO in Chinese 18 Aug 82 p 1

[Article by Bai Xiaoxia [4101 7197 1115]: "Great Achievements in Residential Housing Construction in Lanzhou Municipality"]

[Text] Fujiahang, formerly a slum area in Lanzhou Municipality, is now a new residential area with newly built houses. The change witnessed here vividly shows the achievements in residential housing construction after the Third Plenary Session of the 11th Party Central Committee.

Fujiahang is located in Shanggou between Zhongshan Road and Linxia Road in Lanzhou Municipality. The first stage of engineering work planned and financed by Lanzhou Municipality for this area covers 4 hectares of land, including a total floorspace of 40,000 square meters. At present, 10 blocks of buildings of five or six stories and a floorspace of 30,600 square meters have been completed. With the addition of the three blocks built several years ago, these buildings have provided living accommodation for more than 550 households.

The planning, designing and construction of this small residential area were primarily intended for serving production and providing convenience for people in their daily lives. It is close to the old city area and therefore has easy access to the original commercial network and schools. This means a saving in the investment. Since the groups of houses are close to one another and the supply of heating for the whole area is convenient, all these houses were equipped with central heating. This year, the unified construction staff office of Lanzhou Municipality has also invested in some auxiliary projects, such as tree-planting, road servicing, traffic signal light installation, a service network, and some bicycle racks for this small residential area.

Lanzhou, other similar small residential areas in Xueyazi, Shangxiyuan, Jiyuan, Minjiaqiao, Nanhetan and Hongshangmen have been basically completed or are being started.

Since the Third Plenary Session of the 11th Party Central Committee, the party and the people's government have done a great deal of work in improving the people's living accommodation and have greatly speeded up the work of housing construction. In the 3 years from 1979 to 1981, the municipal government and

and its affiliated units have invested more than 114 million yuan (including state investment and the funds raised by the enterprises themselves) in housing construction, and have completed a floorspace of more than 734,000 square meters, being 46 percent of the total area built in the municipality over the past 32 years since liberation, or more than five times that in 3 years from 1976 to 1978. This year, the municipal government has planned to use more than 22 million yuan, made up of state allocation and the self-raised funds of enterprises, for building residential areas. In the first half of this year, work has already been started on areas totaling more than 260,000 square meters.

9411

CSO: 4006/07

## CONSTRUCTION

### ILLEGAL BUILDING OF PRIVATE HOUSES CHECKED IN GANSU

Lanzhou GANSU RIBAO in Chinese 19 Aug 82 p 1

[Article: "Resolutely Check the Unhealthy Tendency of Illegal Building of Private Houses by Workers and Staff Members"]

[Text] Recently the provincial party committee and the provincial people's government have jointly worked out a set of regulations to check the unhealthy tendency of illegally building private houses by some workers and staff members.

The regulations pointed out: In recent years, some workers and staff members have built private houses in the cities through legal channels and with proper means. Their action has played a certain positive role in reducing the state's burden, in solving the housing problem and in alleviating the housing congestion. However, some people have also abused their authority in building private houses through illegal use of state or collective land, money and materials, or the use of state and collective machinery and labor by paying little or no charges. This tendency has seriously impaired the party's work style and damaged the prestige of the party and the government, beside arousing the people's dissatisfaction.

To rectify the party's work style, to enforce party discipline and to check the unhealthy tendency of illegally building private houses by some workers and staff members, the regulations have set some specific demands as follows: All private houses built through the abuse of authority, on government or collective land with state or collective money and materials, or with state or collective machinery and labor for which little or no charge has been paid, must be confiscated, and the occupants of these houses must be ordered to vacate them and to move into the houses assigned to them. All urban private houses of government personnel whose families are registered in the countryside; all houses whose occupants have not been registered with the local residence registration authorities; all private houses built on state or collective land; all private houses built against the advice of the proper authorities; and all houses built on privately exchanged land in the cities and the suburbs are to be turned over to the authorities. The housing administration departments will reimburse the expenditures incurred in building the houses according to the authentic vouchers submitted by the persons who have built the houses. All private houses which may obstruct the

traffic or interfere with the city planning must be demolished at the expense of the owner who should also bear any other economic losses. In the event that the use of land for building private houses is legitimate, the location of the houses conforms to the city planning, but authority has been abused in building the houses through the use of state or collective funds, machinery or labor and the total amount of these items is more than one half of the actual construction cost, the state will take over these houses. If the total amount of these items is less than one half of the actual construction cost, then this amount must be reimbursed to the state within a specified time and according to the quoted prices at the time of building.

The regulations added that the illegal building of private houses by workers and staff members whose offense is serious and whose attitude is provocative, thus leading to complaints among the people must be severely dealt with. Any brush with the criminal law will be dealt with accordingly.

9411

CSO: 4006/071

## CONSTRUCTION

### PROGRESS OF CAPITAL CONSTRUCTION IN ZHEJIANG REPORTED

Hangzhou ZHEJIANG RIBAO in Chinese 6 Sep 82 p 3

[Article by Wang Weizhang [3769 4850 2874] and Zhang Shiguang [1728 4258 0342]: "More Than 1,900 Engineering Projects Completed and Commissioned in Past 3 Years"]

[Text] By concentrating our resources on the key projects on the capital construction front so as to ensure that they can be completed for regulation operation, our province has speeded up the progress of the key projects for energy, transportation, and the light, textile and raw materials industries. In the past 3 years, 27 key projects of large and medium sizes and of single items; and 1,923 others of small size have been completed. The average number of commissioned projects each year has been increased by 60 percent over that of 1978.

Proceeding from realities and persisting in the protection of key projects so that they can be completed and ready for operation, the provincial planning and capital construction departments have included energy, transportation and the light, textile and raw materials industries, which has an impact on the development of the national economy, in the list of key projects to which the main efforts in capital construction will be directed. The leading departments and capital construction departments at all levels have frequently visited the work sites and paid special attention to the progress of the key projects, to the disposition of manpower and material resources, and to the coordination of various activities. By this means, the construction periods have been shortened and the investment returns improved. The Zhenhai Power Generating Plant is the largest thermal power generating plant in our province. The scope of its construction called for two sets of generating equipment with a total output of 250,000 kws, an investment of 103 million yuan, and a construction period of 2 years and 10 months. It has generated 4.3 billion kwh of electricity since it went into regular operation, and has helped the state accumulate 84.5 million yuan, being 82.7 percent of the total investment. Some "beard-growing" projects, which had dragged on for a long time, were also completed and put in regular operation in these 3 years. For example, construction of the hydropower station in Hunanzhen began in 1958, but was suspended half way, and remained basically uncompleted by 1978. Inspired by the spirit of the Third Plenary Session of the 11th Party Central Committee, the broad masses of workers and staff members on the hydropower

construction front made all-out efforts to complete this work and, as a result, four sets of generating equipment were completed and commissioned one after another in 1979 and 1980. Some large and medium-size projects, such as the Zhejiang Chemical Fertilizers Plant, the Taizhou Power Generating Plant, the Jinsui and Huaishui power stations and the Zhangxing Cement Plant, are still under construction; but the work on them is progressing fairly rapidly.

In these several years, evaluations have been carried out on the work of various design units; 16 designs were evaluated as fine designs of the 1970's, and two of them were rated as fine designs of the nation. The construction units have also carried out emulations in striving for "all-perfect" engineering, and in the past 3 years, "all-perfect" engineering was achieved in an area of 560,000 square meters.

9411

CSO: 4006/071

## CONSTRUCTION

### ADDITIONAL PIPELINE HELPS IMPROVE WATER SUPPLY IN BEIJING

Beijing BEIJING RIBAO in Chinese 11 Aug 82 p 1

[Article by Wang Weijie [3769 0251 4634]: "Double-Pipeline Completely Laid for Water Supply by Shuiyuan No 8 Plant"]

[Text] The work of laying a double-pipeline for water supply by Shuiyuan No 8 Plant, undertaken by the Third Municipal Engineering Company, was completed on 4 August.

Shuiyuan No 8 Plant supplies one-third of the water for the municipality every day. In the past, only one pipeline was in operation, and any trouble with it will affect the normal water supply. To guarantee the normal operation of Shuiyuan No 8 Plant, the relevant department in the municipality decided to add a 13.6-kilometer double pipeline.

To make sure that this new pipeline will be operative by the peak season of water consumption this year, the company established an on-the-spot command post with a vice manager in charge, in order to provide more active leadership over the work. Semimechanized methods, such as overall anticorrosion, joining several sections to form a single length, and laying the pipes with cranes, were used to speed up the work. By these means, the cost of the entire project was reduced by 14 percent. The acceptance checks were conducted section by section, and the work as a whole was rated as "all perfect" engineering.

9411

CSO: 4006/071

## CONSTRUCTION

### RESUMPTION OF DAQING ETHYLENE PLANT CONSTRUCTION REPORTED

Harbin HEILONGJIANG RIBAO in Chinese 11 Aug 82 p 1

[Article by correspondent Xin Ye [5647 6851]: "Reactivation of Daqing Ethylene Project in Full Swing"]

[Text] One of the largest state key projects--construction of the Daqing Ethylene Chemical Industry Complex--has been reactivated on a full scale. More than 16,000 persons are now working in the spacious plant premises which has become a bustling scene with trucks running to and fro and people working on tall scaffolds and cranes amid the roar of engines.

The Daqing Ethylene Chemical Industry Complex--also called the 300,000-ton Ethylene Project--is a large modern integrated chemical industry enterprise being built as one of our grand engineering projects. With the hydrocarbon recovered from the natural gas and crude oil as the main raw material, it will produce organic raw materials for the chemical industry and other synthetic materials, all urgently needed by the state. This project takes place in Wulitun in Daqing Municipality and occupies 744 hectares of land. Of the 13 sets of principal equipment for production, six of them have been imported from foreign countries. They are: the equipment for an annual output of 300,000 tons of ethylene; the equipment for an output of 140,000 tons of polyethylene from low pressure processing; the equipment for an output of 60,000 tons of polyethylene from high pressure processing; the equipment for an output of 60,000 tons of acetaldehyde; the equipment for an output of 70,000 tons of caprylic acid; and the air producing equipment. The remaining seven sets were manufactured in the country. They are: the equipment for an output of 70,000 tons of acetic acid; the equipment for an output of 20,000 tons of vinyl acetate; the equipment for an output of 60,000 tons of ethyl alcohol; the equipment for an output of 50,000 tons of acrylonitrile; the equipment for an output of 50,000 tons of acrylic fiber drawnwork; the equipment for an output of 15,000 tons of methyl tertiary butyl ether; and the equipment for the disposal of hydrocyanide. In addition, a whole plant for the treatment of waste water and the air separating equipment have also been imported, and there are home-produced supporting equipment, public utility projects, welfare measures and so forth. Advanced modern production technologies are being adopted in these projects. All the production equipment is centrally controlled, overseen and managed by the control room and part of it is watched or directly controlled by electronic computers.

Industry television is also used for some equipment, and there is an extensive system of warning and precaution with advanced techniques. After completion, it will be able to supply to the state 571,000 tons of raw materials for chemical industry besides organic glass, synthetic rubber and other by-products. The annual output value will be as much as 1.5 billion yuan and the amount of taxes paid and profit handed over to the state will be 0.8 billion yuan. Thus in 4-5 years, the investment will be totally recovered. This project will also take care of the needs of oil, chemical, light and textile industries, and will play an important role in making full use of the oil resources in Daqing and in developing the light and chemical industries in the whole country and particularly in our province.

Work on this project began in September 1979. Because of the readjustment of the national economy, the state decided to put it off temporarily, and later approved its resumption in September 1981. In the past several years, a special railway of several scores of kilometers were built; more than 200 kilometers of various types of pipelines were laid; and scores of blocks of buildings for laboratories, for the collection of data and for residence were built. Since early this year, the work force of the No 4 and No 6 provincial construction companies, the provincial mechanization company, the second section of the provincial highway administration bureau, the No 1 provincial power equipment installation department, the Chichihar No 1 Municipal Administration Company, the No 11 Chemical Construction Company under the Ministry of Chemical Industry, the Jilin Municipal Chemical and Construction Company, and the Jiangsu provincial construction team as well as the work force from other provinces have gradually arrived at the work site. Working with one heart and one mind, these workers, converging from all directions in the country, are working hard to speed up the progress of the project. Now, the feeder lines of the railway have been completed and the vast majority of the imported equipment has also arrived at the work site. Of the 84 items in the project, work has already been started on 47 of them, and civil engineering is now proceeding in full blast. Preparations have been made for the installation of the ethylene equipment and the air-separating equipment and the actual installation is expected to take place in early September. Rapid progress is being made in the construction of long-distance conveyor belts, the area for raw material drums, the warehouses for finished products, the industrial water works, the equipment for polyethylene from high pressure processing and so forth. At the same time, two blocks for foreign experts and more than 40 blocks of houses to be used for residence or as stores, club houses and hospitals have sprung up. Another large modern petrochemical industrial base will soon appear in Heilongjiang Province.

9411

CSO: 4006/071

## CONSTRUCTION

### BRIEFS

**HARBIN WATER SUPPLY INCREASED**—The transformation and expansion of No 1 and No 3 water supply stations of the Harbin Tap Water Company have been completed, and the Harbin municipal capital construction commission has today assigned its personnel for the acceptance check. After their transformation and expansion, these two water supply stations' capacity for daily water supply will be increased by 70,000 tons. To alleviate the water shortage in the city, the state has since 1979 allocated more than 13 million yuan for the transformation and expansion of these two water supply stations. Trunk pipelines totaling more than 10 kilometers have been laid along with 5 kilometers of branch lines, and a 200,000-ton water pumping station and a 5,000-ton water purification pond have been built. These projects began their trial operation in September last year, and their performance in the past year was up to the designed standard. The quality of water was also up to the standard required for public health. [Text] [Harbin HEILONGJIANG RIBAO in Chinese 18 Sep 82 p 1] 9411

**NEW RESERVOIR IN ZHEJIANG**—The Tingxia reservoir in Fenghua County, Zhejiang Province, will soon be completed. This will be the largest reservoir in Ningbo Prefecture. At present, the main dike is almost completely built, while work on the hydropower station and the other subsidiary engineering projects for the irrigation area is proceeding in full blast. The 2.3-kilometer tunnel has already been opened and it is anticipated that the reservoir will be ready for water storage next year. The capacity of the reservoir is 153 million cubic meters, and the hydropower station can generate more than 12 million kwh of power each year. [Text] [Beijing GONGREN RIBAO in Chinese 7 Oct 82 p 2] 9411

CSO: 4006/071

## FOREIGN TRADE

### BENEFITS OF IMPROVED EXPORT PACKAGING REPORTED

Shanghai JIEFANG RIBAO in Chinese 3 Nov 82 p 2

[Article by Staff Correspondent: "Municipal Foreign Trade Departments Achieve Results in Taking Firm Hold of Urgent Tasks; Improved Packing Significantly Increases Status of Exported Goods; Condition of "First Grade Product, Second Grade Packing, And Third Grade Price" Begins to Change"]

[Text] Vigorous improvements have been made in the packing and packaging of export goods from Shanghai. As a result, their status on the international market has increased, sales have expanded, and transportation costs have been saved. This can create more than US \$10 million in foreign exchange for the state each year.

Packing and packaging are important means to realize the value of goods and their utilization. This is particularly true in export goods. In the past, many goods from our municipality had relatively poor packing and packaging. For instance, some high class expensive handicraft products used only paper packaging and wooden box packing. Some well known and expensive pharmaceutical materials were packed in canvas bags and some high demand light industrial products were also packed only in cardboard boxes. Although the products were good, the packing and packaging were not attractive to people. Abroad these products could only be sold on the streets, in the better markets. The condition of "first grade product, second grade packing, and third grade price" was relatively common in our exports. All the foreign traders needed was to change the packing to realize high profits. This situation not only weakened the competitiveness of our products on the international market but also reduced our foreign exchange earnings.

Aimed at correcting this situation, the foreign trade departments in our municipality first unified the ideological understanding on the importance of packing and packaging and considered the improvement of packing and packaging an urgent task. At the same time, concrete requirements for improved packing and packaging were presented. The departments further strengthened the research on packing and established and improved the branch company for import and export packing and the packing research institute. A scientific research force was established to specially engage in improved packing work. The departments also provided key help to 15 plants engaged in the packing trade, imported advanced equipment from abroad, and improved printing quality and packing capability.

The import and export company for foreign trade packing also adopted many avenues, with joint funding from the Shijiao Commune, it started the plastics packing plant to produce high transparency PVC plastic membranes and created the condition for improved packing and packaging.

The foreign trade departments also spent a lot of effort to adopt the packing techniques and methods commonly used abroad to improve the packing of export products. For instance, the Shanghai animal products import and export branch company originally used paper and cardboard box packing for its feather and down products. The packing was bulky and the expenses were high. In recent years, it has changed to vacuum packing, using compound nylon membrane or aluminum sprayed polyester fibre membrane bags and with the air in the bags withdrawn by machine. This not only prevents damage by moisture, mildew, and insects but also reduces the volume by 50 percent and increases the overall packing box carrying capacity by 15 percent. Also, shirts for export were originally folded and individually packed in boxes and every 5 dozen or 10 dozen were then packed in wooden boxes. The volume was large and the transportation costs were high. Now the shirts are hung on hangers and placed flat in cardboard boxes. The outside packing has also been changed to 6 dozen in a paper carton. As a result, the merchants are able to display the merchandise easily after the boxes are opened and they like it very much. This has also increased the sales price and saved packing and transportation expenses.

The foreign trade departments have also vigorously developed small packing and beautified packaging in the direction of transparency, better shapes, and greater ease of handling. For instance, tea exports was mostly bulk packing of 25 to 45 kilograms in a box in the past. In recent years, box packing, canned packing, and tea bags have been developed, which have resulted in increased sales prices. To meet the demands of the European and American markets, the import and export branch company for light industrial products has designed plastic packing material, heat contraction [reshousuo] packing, and photo processing plate color box packing for 34 products, including enamelled whistling kettles and thermos bottles. As a result, their sales have increased.

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CSO: 4006/098

## FOREIGN TRADE

### SHANGHAI EXPANDS SOURCES OF GOODS, EXPORTS

Beijing ZHONGGUO CAIMAO BAO in Chinese 9 Nov 82 p 1

[Article by Chen Zueyong [7115 7185 6978] and Lu Jinong [7120 4949 6593]:  
Changhai Develops Sources of Export Goods From Many Areas To Expand Foreign  
Trade; Imports Raw Materials in Short Supply Domestically to Increase Production  
of Export Goods; Using Imports to Feed Exports Is Good Way"]

[Text] The Shanghai municipal foreign trade departments and industrial departments are cooperating to actively expand sources of goods and increase exports.

Shanghai is the largest foreign trade port in our country. It has established long term business relationships with over 14,000 plants and commercial firms in more than 160 countries and regions. More than 1,000 commodities are exported. It has also established commissioned sales and contract sales agencies with over 770 customers in more than 70 countries to handle over 130 major commodities of various types. In terms of sources of goods, the proportion of products produced in Shanghai to the total export has risen to about 80 percent. The composition of products is also gradually changing with machinery, instruments, metallurgical and pharmaceutical products in increasing proportions.

Based on the principles of utilizing domestic production potentials, demands on foreign markets, and products with greater foreign exchange power, the Shanghai foreign trade departments fully develops the position of Shanghai as a large coastal city to expand the policy of "using imports to feed exports" by importing raw materials in short supply domestically to expand sources of export products. Last year alone, through the "use of imports to feed exports," the increase of production of export products in Shanghai earned over US \$10 million of additional foreign exchange. The Shanghai foreign trade departments also submit applications to the state for short term loans on behalf of production departments. From these loans, more than 230 projects have been developed. On the average, each loan of one yuan can increase accumulation by 2.8 yuan and create US \$1.54 in foreign exchange. As of now, 156 projects have been completed and have started production. The increased sources of export goods can increase foreign exchange earnings by more than US \$10 million a year.

The Shanghai foreign trade departments are also overcoming trade and regional boundaries to develop new waterways of supply. They are actively organizing joint production with suburban counties, municipal industries and other areas in Jiangsu and Zhejiang. Currently, nearly 700 export producing locations

have been established in suburban counties and cities, producing over 180 products suitable for sale. In 1982, 42 products have been procured for export, including chicken, garlic, rabbit hair, goat hair, mushroom, and other agricultural and sideline products and such handicraft products as crocheted clothing and gloves, which has earned a record high of US \$120 million in foreign exchange.

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